Department of the Navy

Report to the Congress

987

Fiscal Year 1987

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VALLEY FORGE
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Posture Statement by Secretary of the Navy

John F. Lehman Jr.

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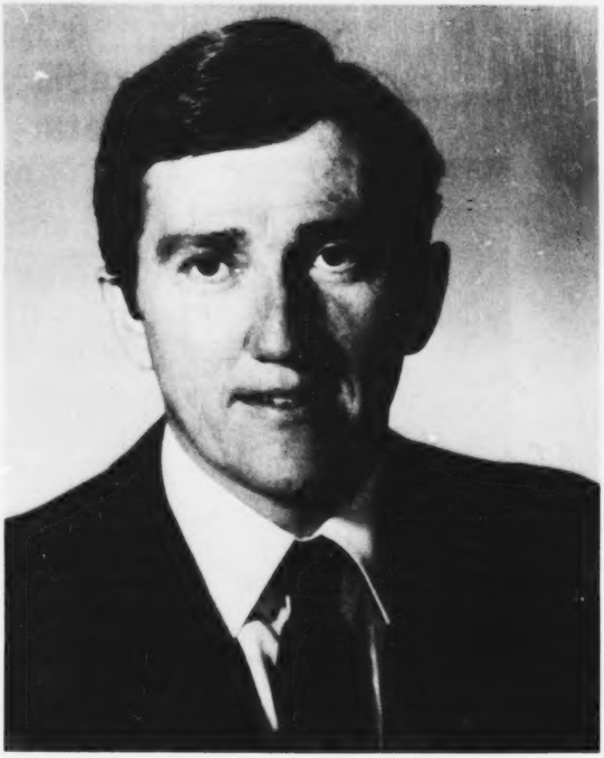
JOHN F. LEHMAN JR.
SECRETARY OF THE NAVY



On Jan. 23, 1981, President Reagan announced the selection of John F. Lehman Jr. to be Secretary of the Navy. He was confirmed by the Senate on Jan. 29 and took the oath of office on Feb. 5, becoming the 65th Secretary of the Navy.

Prior to this appointment, Dr. Lehman was president of Abington Corporation.

He began his career in defense and foreign affairs as a staff member of the Foreign Policy Research Institute from 1967 to 1969 at the University of Pennsylvania. From 1969 to 1974, he served as special counsel and senior staff member to Dr. Henry Kissinger on the National Security Council and from 1974 to 1975 was a delegate to the Mutual Balanced Force Reduction Negotiations in Vienna. He became Deputy Director of the U.S. Arms Control and Disarmament Agency in 1975, holding that position until 1977.

Upon graduating from the La Salle College High School, Lehman enrolled in St. Joseph's College, where he earned a bachelor's degree in international relations in 1964. After four years in Air Force ROTC, Lehman served three years in the Air Force Reserve while continuing his education at Cambridge University in England. He graduated from Cambridge in 1967, receiving a bachelor's degree with honors law and a master's degree in international law and diplomacy.

He left the Air Force Reserve and accepted a direct appointment to the rank of ensign in the Naval Reserve in January 1968. Subsequently, he was designated a naval flight officer (bombardier-navigator) and then pilot, and he has been promoted successively to his current rank of commander. He is assigned to Medium Attack Wing One, Naval Air Station, Oceana, Va.

In 1974 he earned his doctorate in international relations from the University of Pennsylvania. He has been a visiting fellow at Johns Hopkins School of Advanced International Studies and a Chubb Fellow at Yale.

Lehman has authored or co-authored several publications on national and international defense and foreign affairs subjects. They include: *The Prospects for Arms Control*, Ed. by J.E. Dougherty and J.F. Lehman Jr. (McFadden: New York, 1965); *Arms Control for the Late Sixties*, Ed. by J.E. Dougherty and J.F. Lehman Jr. (Van Nostrand: Princeton, 1967); *The Executive, Congress and Foreign Policy*, by John Lehman (Praeger: New York, 1976); *Aircraft Carriers: The Real Choices*, by John Lehman (Sage: 1978); and *Beyond the SALT II Failure*, by John Lehman and Seymour Weiss (Praeger: New York, 1981).

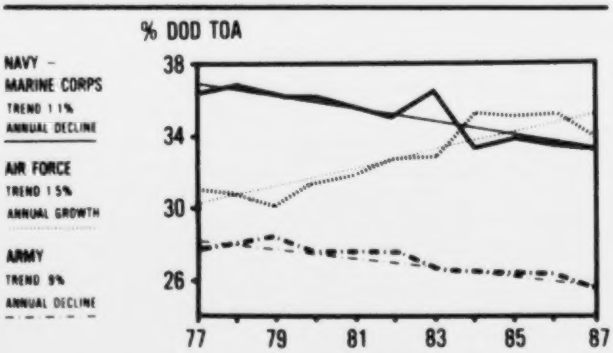
He was born on Sept. 14, 1942, in Philadelphia, Pa., and is married to the former Barbara Wieland. They have three children: Alexandra, 9; John F. III, 6; and Grace Virginia, 2. They reside in McLean, Va.

A Report by
The Honorable John F. Lehman Jr.
Secretary of the Navy
on the
Posture and Fiscal Year 1987 Budget
# of the U.S. Navy and Marine Corps

Mr. Chairman, I welcome this opportunity to appear for the sixth time to offer my assessment of the current posture of the Navy/Marine Corps team and to present the Department of the Navy budget request for fiscal year 1987.

Since my first report to you five years ago, President Reagan's Naval Recovery Program has more than doubled our overall naval capability. By cancelling plans for early retirement of two carriers and some 30 destroyers and amphibious ships, and by doubling the rate of new ship construction and reactivating battleships, our Navy has grown from 479 to 547 ships, with another 84 under construction; our Ready Reserve—including strategic sealift—has grown from 32 to 85 merchant ships; the measured readiness of our ships and squadrons has increased nearly 40 percent, and our ammunition stocks have nearly doubled. All this has been achieved with an average real growth in the DON budget of only 5.6 percent from FY 82-86. The Navy Department share of the Defense budget has declined an average 1.1 percent during this same period.

DEFENSE BUDGET SHARE BY SERVICE



TOA = TOTAL OBLIGATIONAL AUTHORITY

The 600-SHIP NAVY: WHY DO WE NEED IT? HOW CAN WE AFFORD IT?

Now that the President's program is well-established, it is timely to re-examine its premises as we plan for the next five years. Media-anointed experts have raised questions about the size, character, and complexity of the Navy and Marine Corps: Do we really need so many ships? Are the Navy and Marine Corps effective in helping to deter Soviet aggression—across the full spectrum of violence, from terrorism to nuclear war? Do we have a strategy that guides the planning and training of our forces? Is it the correct strategy? If it is, what have we accomplished to date in ensuring we can carry it out, and are we building the right types and numbers of ships to execute it in the future? Finally, can this nation afford to sustain a 600-ship fleet—not only well-equipped but properly manned—for the long term? Now that Gramm-Rudman-Hollings has become law and retrenchment is the theme of the hour, the answers to these questions take on added significance.

Why 600 Ships?

To understand how we arrived at the size of our planned fleet of ships, we must begin by discarding the idea that this number has sprung, full blown, from the brow of some would-be Napoleon of the high seas. Since World War II, maritime force planners have found themselves at the mercy of three enduring elements:

Geography

Water covers three-quarters of the world; and the United States is an "island continent" washed by the Atlantic and Pacific oceans.

Vital Interests of the United States

These are expressed in the web of more than 40 treaty relationships that bind us to mutual defense coalitions around the world. These relationships shape our national security requirements—together with the energy and commercial dependencies that support our economy in peace and in war.

The Soviet Threat

Whatever its original rationale, the Soviet Navy's postwar expansion has created an offense-oriented blue-water force, a major element in the Soviet Union's global military reach that supports expanding Soviet influence from Nicaragua to Vietnam to Ethiopia. From the Baltic to the Caribbean to the South China Sea, our ships and men pass within yards of Soviet naval forces every day. But familiarity, in this case, is breeding a well-deserved respect; they are good and getting better.

The Navy's recently updated publication, *Understanding Soviet Naval Developments*, provides the facts about the Soviet Navy.

Every American should be aware, for example, that Soviet nuclear submarines operate continuously off our coasts. *Victor*-class nuclear attack submarines are routinely found lurking near many of our principal naval ports. Soviet surface units are now making regular deployments to the contentious and vulnerable chokepoints of the Caribbean Sea and Gulf of Mexico. Worldwide, we find the Soviet Navy astride the vital sea lanes and navigational chokepoints, through which most of the Western world's international trade must pass. This is the new reality. The pattern of Soviet naval deployments has revealed itself only over the last several years. These deployments constitute a post-World War II change in the global military balance of power that has been surpassed only by the advent of thermonuclear weapons. No planner, civilian or military, can ignore the growing dimensions of Soviet maritime power.

The past year alone has provided cause enough for alarm. In mid-1985 naval forces from the Soviet Northern and Baltic fleets conducted a major open-ocean exercise in the North Atlantic, Norwegian and North Seas. Nearly three-quarters of all combatant ships and submarines from these fleets were deployed. The exercise involved submarine, surface ship and aircraft strikes on Soviet surface combatants simulating NATO battle groups moving into the Norwegian Sea. The exercise included the most modern Soviet major surface combatants, such as the aircraft carrier *Kiev* and the nuclear-powered battle cruiser *Kirov*. Soviet anti-carrier strike, reconnaissance and anti-submarine aircraft flew around the clock. The exercise was similar in activity level and realism to an unprecedented Soviet Pacific fleet exercise conducted in April which centered around *Kiev*'s sister ship, *Novorossiysk*.

Two other significant events marked the Soviet naval calendar in 1985: In the first, Fleet Admiral of the Soviet Union Sergei G. Gorshkov, a flag officer since 1941 and leader of the Soviet Navy since 1956, stepped down, to be replaced by nuclear submariner Vladimir N. Chernavin. Chernavin is known to be more of a "team player" than Gorshkov and has advocated closer cooperation with Soviet land forces in his published writings. On other matters, however, he is not likely to change the pull or direction of the growth in capability of the Red Fleet established over three decades by his illustrious predecessor.

The other major development in Soviet seapower was the launching of the 65,000-ton nuclear-powered aircraft carrier and, we believe, the immediate laying of the keel for a second unit of the class. These ships—and the enormous *Typhoon*-class ballistic missile submarines—may be said to mark the culmination of Admiral Gorshkov's long career. For the first time Soviet carrier battle groups will be able to provide visible and truly potent seaborne presence wherever Soviet "state interests" dictate. Along with such units as the *Kirov*-class nuclear-powered battle cruisers—the third of which is now under construction—the Soviet carriers will be able to bring fixed-wing strike aviation and local air-superiority to bear in support of Soviet offensive fleet operations, and in support of clients and proteges, such as Nicaragua, Libya, Vietnam and Angola. Just as important, these carriers will bring the enormous benefit of air cover to the Soviet surface fleet permitting them a new dimension of survivability and flexibility.

What is particularly disturbing about the "fleet that Gorshkov built" is that improvements in its individual unit capabilities have taken place across broad areas. Submarines are faster, quieter, and have better sensors and self-protection. Surface ships carry new generations of missiles and radars. Aircraft have greater endurance and payloads. *And* the people who operate this Soviet concept of a balanced fleet are ever better trained and confident.

Two operational trends are significant. First, the Soviet Pacific Ocean Fleet continues to be built up in size and—more importantly—capability. The year 1985 saw the transfer to the Pacific of the second *Kirov*-class battle cruiser and its first examples of the

Sovremennyy and *Udaloy* guided missile destroyers; that fleet already had two of the three completed *Kiev*-class V/STOL carriers. The second trend is toward greater security for the ballistic missile submarine force, which the Soviet Navy considers a prime responsibility. Increasingly, that force is concentrated in the waters of the Arctic, protected by layers of surface, submarine and air forces as well as by the ice cap.

What determines the size of the Navy?

Geography, alliances, and the Soviet threat combine to dictate the actual numbers of ships—the "size of the Navy"—required to fulfill our commitments in each of our maritime theaters. Before reviewing in detail the forces we need in each theater, some observations are in order:

Any view of the global disposition of the U.S. Navy and Marine Corps reveals that we often deploy in peacetime very much in the same manner as we would operate in wartime. For purposes of deterrence, crisis management, and diplomacy, we must be present in the areas where we would have to fight if war broke out. Of course, the operational tempo is different—a roughly three-to-one ratio in wartime, as compared with peacetime.

We also train as we intend to fight. A full-scale general war at sea would rarely find a carrier battle group operating alone. So we train often in multiple carrier battle forces.

Allied Navies

Our maritime security depends on significant assistance from allies in executing our missions. Fortunately, we count among our friends all of the world's great navies, save one. Clearly, in areas such as diesel submarines, frigates, coastal patrol craft, minesweepers, and maritime patrol aircraft, allies of the United States have assets absolutely essential for sea control in war and peace. In some regions, such as the Eastern Atlantic and the waters surrounding the United Kingdom, our allies supply a majority of the antisubmarine capability to counter the Soviet threat. In fact, if we could not count on our allies, we would require a U.S. fleet much larger than 600 ships to deal with the 1,700 ships and submarines that the Soviets can deploy against us. But the world's greatest navies are on our side, and this gives a tremendous advantage to the U.S. Navy and a significant cost savings to the U.S. taxpayer.

Shifting Trade Dependency

America's increasing commercial and energy interdependence with Asia, and the growth of the Soviet Pacific Fleet—now the largest of the four Soviet fleets—have negated the so-called "swing strategy" of the '50s, '60s, and '70s, which planned to reinforce the Atlantic Fleet with combatants from the Pacific in time of crisis. Today, the United States has an Asian orientation at least equal to its historic engagement in Europe. Existing treaty relationships in the Pacific have been augmented by growing commercial connections. For example, in 1980, the value of U.S. trade with the Pacific rim nations was roughly equal to trade with the country's Atlantic partners. Four years later, Pacific trade exceeded that with Western Europe by $26 billion.

Shifting Oil Dependency

Similarly, oil dependencies have shifted tremendously in the last five years. This forces America to reconsider the priorities of naval deployments in the Northern Pacific and Caribbean regions. The reorientation of U.S. sources for crude oil—on a hemispheric axis—is a long-term geopolitical reality that has gone largely unnoticed. Western dependency on Middle Eastern oil is still debated at length as to its impact on our military thinking and force planning. But we must also take into account that, in 1985, the United States imported eight times as much oil by sea from the Western Hemisphere as it received from the entire Middle East. Oil from Mexico has increased to almost one-fourth of our imports, while oil from Saudi Arabia has dropped to less than 5 percent of the U.S. import market. We no longer depend primarily on the Middle East and Persian Gulf supply for our vital energy needs. Instead, the locus of our oil trade is in the Western Hemisphere: Alaska, Canada, Mexico, Venezuela, and the Caribbean area.

With these observations as background, let us review our forces in the main geographic areas: the Atlantic, the Mediterranean, the Pacific, and Indian Ocean-Persian Gulf.

The Atlantic

The large Atlantic theater encompasses the North Atlantic, the Norwegian Sea, the Northern flank of NATO including the Baltic throat, the South Atlantic, the Caribbean, and the Gulf of Mexico. It includes the coasts of South America and the west coast of Africa, all vital sea lanes of communications. And it involves the Mediterranean and the Middle East. The U.S. Navy operates in the Atlantic theater with two fleets, the Sixth and the Second.

The Sixth Fleet. In the Mediterranean is the principal fighting force of the NATO Southern Europe Command and provides strike, amphibious, anti-air superiority, anti-submarine, and close air support for the entire southern flank of NATO—a principal makeweight in the balance in the Central Front.

In addition, the Sixth Fleet is the principal naval force that supports our friends and allies in the Middle East. The threat there is significant. The Soviets maintain a fleet in the Black Sea and a deployed squadron in the Mediterranean. In wartime, we expect to see there also Soviet naval strike aircraft, a formidable number of diesel and nuclear submarines, and a full range of missile cruisers, destroyers, and other smaller combatants.

To deal with this threat, as we do in all our planning, we start with a base of allied forces in the areas under consideration. The navies of our allies are good. For example, we count on them to provide about 140 diesel submarines, which are effective for coastal and area defense, for establishing and maintaining barriers, and for certain other useful missions.

In wartime, U.S. forces in the Sixth Fleet would have to include three or four carrier battle groups, operating to meet NATO commitments. We would also need to deploy a battleship surface action group and two underway replenishment groups. In peacetime, we average over the year one and one-third carrier battle groups deployed in the Mediterranean.

The Second Fleet. This is the heart of the Atlantic strike fleet for NATO. It is responsible for naval operations in the North Atlantic, the Eastern Atlantic, Iceland, the Norwegian Sea, the defense of Norway, and the entire northern flank including the North Sea and Baltic throat. It must simultaneously accomplish any naval missions required in the Caribbean, where we now face a very large Soviet and Cuban naval presence; in the South Atlantic, where we have vital sea lanes; and along the West African sea lanes, where the Soviets now deploy naval forces continuously.

For the Second Fleet, in wartime, we must plan to have four or five carrier battle groups, one battleship surface action group, and three underway replenishment groups Each carrier brings the equivalent firepower of 40 World War II carriers and can deliver accurate strike ordnance on target equal to 800 B-17s every day. In peacetime, we generally run higher than this, because most of our principal training occurs in the Second Fleet's operating areas. Today, we have six carrier battle groups cycling in the Second Fleet.

The Pacific

Clearly, our increasing commercial interests and historic security ties in the Pacific impact on our naval planning for the area. If we are to protect our vital interests, we must have forces available to deploy—not only to the Atlantic theaters and the Sixth and the Second fleets—but also to the Pacific simultaneously, to the Seventh and the Third Fleets and the Middle East Force of the Central Command. We cannot abandon one theater in order to deal with the other. The great paradox of the 1970s was the reduction of the fleet's size so that it could only be employed in a "swing strategy"—just as that strategy was being rendered obsolete by trade, geopolitics, and the growth of the Soviet Navy.

The Seventh Fleet. Is our forward Western Pacific fleet, which meets our commitments to Japan, Korea, the Philippines, Australia, New Zealand, and Thailand, and in the critical straits of Southeast Asia, as well as the Indian Ocean. In wartime, we would need to deploy five carrier battle groups to the Seventh Fleet, two battleship surface action groups, and four underway replenishment groups. In peacetime, we average over the year the equivalent of one and one-third carrier battle groups in the Western Pacific.

We do not have a separate fleet in the critical area of Southwest Asia, the Indian Ocean and the Persian Gulf, although some have proposed the re-creation of the Fifth Fleet for that purpose. In peacetime, we have the Middle East Force of the Central Command and elements of the Seventh Fleet, normally a carrier battle group.

In wartime, we plan for two of the Seventh Fleet carrier battle groups to meet our commitments in the Indian Ocean, Southwest Asia, East Africa, the Persian Gulf area, and Southeast Asia. Notionally, a Seventh Fleet battleship surface action group and one underway replenishment group would also be assigned to operate in these areas.

The Third Fleet. Has responsibility for operations off Alaska, the Bering Sea, the Aleutians, the Eastern Pacific, and the mid-Pacific region. In wartime, there would be considerable overlapping and trading back and forth between the Seventh and Third Fleets. This happened in the Pacific during World War II. To cover that vast area, we must assign two carrier battle groups and one underway replenishment group.

CURRENT NAVY FORCE REQUIREMENTS

	PEACETIME MARITIME STRATEGY	WARTIME MARITIME STRATEGY
	SIXTH FLEET	
CVBG	1.3	4
BBSAG	.3	1
URG	1	2
	SECOND FLEET *	
CVBG	6.7	4
BBSAG	1.7	1
URG	4	3
	SEVENTH FLEET**	
CVBG	2	5
BBSAG	.5	2
URG	1	4
	THIRD FLEET*	
CVBG	5	2
BBSAG	1.5	-
URG	4	1

* INCLUDES FORCES IN OVERHAUL ** INCLUDES INDIAN OCEAN FORCES

CVBG=CARRIER BATTLE GROUP BBSAG=BATTLESHIP SURFACE ACTION GROUP

URG=UNDERWAY REPLENISHMENT GROUP

OPTEMPO in Peace and War

These requirements compel us to deploy a 600-ship Navy. In peacetime, we deploy to the same places we must control in war, but at one-third the tempo of operations. This allows a bearable peacetime burden of six-month deployment lengths and 50 percent time in homeport. Looked at either way, we require the same size fleet to meet peacetime deployments as we do to fight a global war. Taken together, they add up to the following:

- Fifteen carrier battle groups;
- Four battleship surface action groups;
- One-hundred attack submarines;
- Lift for the assault echelons of a Marine Amphibious Force and a Marine Amphibious Brigade;
- An adequate number of ballistic missile submarines.

When escort, mine warfare, auxiliary, and replenishment units are considered, about 600 ships emerge from this accounting—a force that can be described as prudent, reflecting geographic realities, alliance commitments and dependencies, and the Soviet fleet that threatens them. Unless Congress reduces our commitments or the Soviet threat weakens, there is no way to reduce the required size of the U.S. fleet and still carry out the missions assigned to the Navy.

Does the Navy have a role in the national strategy?

While the Carter administration questioned whether the Navy could influence a "short war" in Central Europe, such a proposition is indefensible today. The coalition of free nations bound together in NATO must have maritime superiority as a prerequisite for any defense strategy. Maritime superiority alone may not assure victory, but the loss of it will certainly assure defeat—and sooner rather than later. The chronicles of warfare from the classical era forward are a consistent testament to the influence of sea power upon history, in which great continental powers do not long prevail against an opponent with mastery of the seas. Today, continental defense in NATO rests on early achievement of maritime superiority. The Soviet Union, as evidenced by its ongoing naval expansion, understands the experience of history far better than our trendier military academics. It is not accidental that the free world alliance is named "North Atlantic" while its totalitarian adversary takes its name from a landlocked city.

Does the Navy have a strategy?

Consider the charge leveled by some parlor room Pershings that our current naval buildup lacks an underlying strategy.

Not since the days of Theodore Roosevelt have the Navy and Marine Corps exhibited such a strong consensus on the comprehensive strategy which now forms our naval planning. Briefly stated, our strategic objectives are the following:

- To prevent the seas from becoming a hostile medium of attack against the United States and its allies;
- To ensure that we have unimpeded use of our ocean lifelines to our allies, our forward-deployed forces, our energy and mineral resources, and our trading partners;
- To be able to project force in support of national security objectives and to support combat ashore, should deterrence fail.

To achieve these objectives, we need a maritime strategy at once global, forward deployed, and—with our allies—superior to our probable opponents. Global, because our interests, allies, and opponents are global; forward deployed, because to protect those interests and allies, and to deter those opponents, we must be where they are; superior, because if deterrence fails to prevent a conventional war at sea, it is better to win than to lose.

Does the Navy have the correct strategy?

Today's debates would benefit from a more precise understanding of the role of strategy. Strategy is not a formula for fighting each ship and deploying each tank in the battles that may take place around the world. That is not the function of the military establishment inside the Washington beltway. Such is the proper function only of the theater commander who is given the responsibility to carry out the defense objectives set by the National Command Authorities.

Beyond the central concept of global, forward deployed, and superior naval forces, strategy's role is to give coherence and direction to the process of allocating money among competing types of ships and aircraft and different accounts for spare parts, missile systems, defense planning, and the training of forces. It provides guidelines to aid us in allocating both resources and shortages.

Title 10 of the U.S. Code charges the Secretary of the Navy with ensuring the highest level of training appropriate to the responsibilities placed upon both the Marine Corps and the Navy. That is what strategy provides to us—a framework within which to train. One will search in vain, however, for a Navy cookbook that tells on-scene commanders when to move aircraft carriers, or how or where to move attack submarines or *Aegis* cruisers at any given point after a conflict commences. There should never be any such cookbook and certainly it should never come from Washington. Those who criticize our strategy for being the wrong cookbook or for not having a cookbook do not understand strategy.

Other critics argue that our Navy should be less global, less forward deployed, or less superior, with the resources saved to be poured into a stronger continental defense. To be less global means to abandon some area of our vital interests. To believe that in the case of the northern flank of NATO, for example, a "passive" defense line thrown across the Greenland-Iceland-United Kingdom gap will somehow protect our sea lanes or defer an engagement with Soviet forces demonstrates a lack of understanding of the fundamental mechanics of war at sea and the workings of NATO and the Soviets' own operational requirements. No coalition of free nations can survive a strategy which begins by sacrificing its more exposed allies to a dubious military expediency. To suggest that naval support of Norway or Turkey or Japan is too dangerous because it must be done close to the Soviet Union is defeatist. To suggest that such a strategy is provocative of the Soviets just indicates the lengths to which some critics will go, in order to portray Soviet intentions as solely defensive.

As for strengthening our continental defenses, we and our allies are also doing just that. To discard maritime superiority in an attempt to match the larger Soviet ground forces, however, would give us neither conventional deterrence on land nor secure access by sea unless the Western democracies are prepared to militarize their societies to an unprecedented, and unwise degree.

Training to the Strategy

The global maritime strategy has been continuously refined and applied to training. That training, like the strategy, is designed to incorporate not only Navy and Marine Corps forces, but is critically dependent on those of our sister services and the forces of our allies. By eliminating needless overlap in total capabilities, we believe our program will leave no vital maritime tasks uncovered. The past five years have seen major new agreements between the Navy/Marine Corps and the Air Force, the Army, and the Coast Guard. In addition, we have made extensive progress in multi-lateral and bi-lateral agreements with allied navies and air forces.

The fact that U. S. Air Force AWACS, B-52 bombers, and fighters are now an integral part of every significant naval exercise and theater strategy attests to the fact that while interservice rivalry is strong on the playing fields of service academies, it does not interfere with the effective integration of our operating forces.

Our maritime strategy is continually tested, refined, and updated through several important processes. The Navy and Marine Corps senior operational commanders review it individually and as a group. It is examined, challenged, probed, and refined at the international level by senior American and allied military and civilian officials. We test it repeatedly in war games and simulations, especially the annual global war games at the Naval War College in Newport, R.I. It is used as the planning base for our major exercises — Navy, joint, and multi-national — and the exercises themselves become the crucible for testing its refinement and challenging its assumptions. Every exercise provides useful lessons learned, to be fed back into the planning process.

In addition, lessons learned from every real-world crisis or conflict are applied immediately and integrated into our strategy. The Falkland Islands War, our own and Israeli operations in Lebanon, the Grenada intervention, and our constant monitoring of Soviet exercises and deployments are all examples. Much of our budget request each year has been modified since the previous year by the lessons learned from intervening events as applied to our overall strategy. In December 1983, as a result of lessons learned from the Falklands, we accelerated installation of the *Phalanx* close-in weapons system on ships serving in the dangerous waters of the Middle East. As a result of Grenada operations' analysis, we have modified communications equipment to improve interoperability in the future with U.S. Army ground forces.

Also, in response to urgent requirements in Lebanon in 1983, the Navy purchased *Mastiff* mini-RPVs (remotely piloted vehicles) from Israel. Last year we competed a contract for a short-range Navy-Marine Corps RPV which was won a few weeks ago by AAI, a Baltimore firm representing the Israeli firm, Maziat. Deliveries will start to the Marines in September. We also awarded a contract last month for 500 Samson decoys, designed to imitate strike aircraft. These are advanced versions of the decoys used so successfully by the Israelis in the Bekaa Valley in 1982. The contractor will later train and qualify a second source.

Exercises and Operations

The highlights of our training and exercise program were the two big multi-battle group exercises conducted with our sister services and allies in the Northwest Pacific and Northeast Atlantic — FleetEx '85 and Ocean Safari '85. FleetEx was the largest U.S. fleet exercise held in peacetime since World War II. Ocean Safari was the largest NATO maritime exercise ever held. In Ocean Safari, the "Safari" assembled off the East Coast of the United States and fought its way across the Atlantic, moved north of England and east of Iceland, and ended up in the Norwegian Sea. Approximately 160 ships and 280 fixed-wing aircraft and helicopters operated for four weeks in this environment against 19 real Soviet ships and submarines and 96 Soviet aircraft sorties. Ten NATO allies furnished forces.

Other deployments and exercises have focused on other dimensions of the strategy. We operated in the Baltic and Black Seas. Unitas XXVI honed our skills and those of our South American allies in the waters of the South Atlantic and Southeast Pacific. The West African Training Cruise performed similar functions along the vital Southeast Atlantic sea lines of communications. Ships of the Navy's Military Sealift Command recently took part in Reforger '86, transporting more than 3,000 pieces of equipment from the United States to Germany. On the West Coast, reservists from the Navy, Marine Corps, and Army loaded hundreds of tons of simulated ordnance onto a merchant ship under the supervision of Coast Guard Reserve Marine Safety inspectors in Mat Mobex '86. Dozens of similar but much smaller operations and exercises occurred throughout the year.

The maritime strategy embraces more than preparation for global operations against the Soviets, of course. It uses naval forces to deter war and — should this fail — to use force where necessary throughout the warfare spectrum. In 1985, the highlight of our peacetime and crisis operations was the contribution the Navy made toward resolution of the *Achille Lauro* piracy when four Navy F-14s from USS *Saratoga* (CV 60) intercepted and escorted an Egyptian airliner carrying the pirates to the NATO base in Sigonella, Sicily. Said Secretary of Defense Casper Weinberger: "The work of the Navy planes — the carrier and the F-14s — cannot be commended too highly because it is a difficult task on such very short notice to both assemble the force and make an intercept in international commercial aviation routes."

In a further response to international terrorism, in January we moved the *Saratoga* battle group from the Indian Ocean to the Mediterranean as a response to Libyan terrorist support and provocations, demonstrating once again the utility and flexibility of mobile naval power.

OPTEMPO

Last year at this time I told you that it had been one of my great disappointments that despite adding some 50 ships to our operational fleet by then, we had been unable to make an appreciable reduction in OPTEMPO and the excessive time that naval personnel must spend away from their families. Family separation remains the number one reason why young officers and enlisted men and women choose to leave the Navy. I told you last year that making improvements in this area was a top goal of the next four years.

I am pleased to report this year that we are well on the road to improvement in this vital area. Cuts in deployment schedules have been ordered to eliminate excessive at-sea periods for ships and aircraft squadrons. Sailors are beginning to see changes now. Battle groups will spend a maximum of six months at sea and sailors will be assured they will be in home port at least 50 percent of the time. There will be major deployment turnaround ratios of 2:1 or better, which really means if you're deployed for six months, you're home for 12.

Two ways in which we plan to decrease the number of ships and people on extended deployments are by selectively alternating battleships with carriers and decreasing the size of battle groups.

Strategic Homeporting

In the 1970s the Navy budget was cut 22 percent, adjusted for inflation. The fleet shrank from 950 to 479 ships and many naval bases were closed by necessity. Drastic shortages of funds forced a consolidation that brought military vulnerability. Today we have 129 ships based in the Norfolk, Va., area, 105 in San Diego, and 68 in Charleston, S.C. President Reagan's expansion adds 120 ships to our fleet, and it is necessary to homeport them in the least vulnerable, most affordable way. A major initiative derived from our strategy has been our effort to decrease the vulnerability of our fleet and our vital merchant ports through an expanded strategic homeporting program. We are currently executing four major homeporting initiatives. We are homeporting a battleship surface action group in Staten Island, N.Y.; a carrier battle group in Everett, Wash.; a battleship surface action group, carrier battle group, and other vessels in Corpus Christi, Texas; Pascagoula, Miss; Lake Charles, La.; New Orleans, La.; Mobile, Ala.; and Pensacola, Fla.; and an expanded battleship surface action group in San Francisco; Long Beach, Calif.; and Pearl Harbor, Hawaii. We have done this through competition and working with the local communities to find the lowest possible cost solutions.

A valuable dividend from these initiatives will be the large expansion of our private enterprise industrial support base. The Navy will derive great savings from the increased competition and much healthier mobilization potential from spreading the work in maintenance repair and support services. Dispersal of forces to more ports and to less concentrated ports improves our defensive posture, complicates enemy conventional mine and cruise missile warfare targeting, and minimizes the risks associated with a relatively simple but properly placed attack from the Soviet nonstrategic submarines that now patrol our coasts. Homeporting in more diverse geographical locations on each coast provides us an opportunity to train and operate in a variety of environments, with less wasted transit time. Homeporting in Puget Sound, Wash., and New York provides permanent naval capabilities to the Northeast and Northwest sea lanes and ports. Dispersed homeports in the Gulf provide the same presence to the sealanes through which must pass most of NATO's vital reinforcement shipping, now heavily targeted by the Soviet and Cuban navies. This new capability in the Gulf will greatly enhance our responsiveness in Caribbean contingencies.

Security

The best strategy, tactics, and equipment will count for little in a war with the Soviets if their key ingredients are compromised through espionage, theft, or treason. At sea and ashore we employ operations security, emission control, and other specialized methods to counter Soviet intelligence. But the Walker espionage case revealed dramatic shortcomings in Navy security. As a result of that case, we have moved immediately to make corrections. We have now reduced the number of personnel with access to classified information by 42 percent. We have withdrawn almost 200,000 clearances and lowered a further 130,000. As a precautionary measure, we have replaced about half the officers and senior enlisted personnel who maintain classified communications manuals. We have stepped up our physical security posture across the board, including improving our small arms training, beefing up our waterfront and shipboard security, and establishing anti-terrorism training and weaponry improvement programs. In August of last year, the Naval Investigative Service Command was reorganized with extended powers over its predecessor, the Naval Investigative Service, to enhance security, counterintelligence, and criminal investigations within the Department of the Navy.

What has been accomplished during the past five years?

Personnel

The past five years have seen the most dramatic change in the manning of the Navy and Marine Corps in the 210 years of our history. From the worst retention and recruiting in postwar history in 1979 and 1980, we have risen to the highest figures achieved since we began keeping records. We are meeting 100 percent of our recruiting goals, and have achieved 97 percent non-prior-service high school diploma graduates in the Marine Corps and 89 percent in the Navy. In virtually every category we have increased retention to near-record highs: in skilled enlisted ratings, in pilots and naval flight officers (NFOs), in nuclear-trained and surface warfare officers. From a situation five years ago when some of our ships could not deploy on schedule because the fleet was manned at only 91 percent, we are now at 100 percent ship manning for a Navy that has grown by more than 65 ships.

The reorganization of the Naval Reserve to a "horizontal integration" with the active force has had the effect of shifting a substantial portion of our force structure manning to the Ready Reserve. In FY 87, 43 ships will be manned by Selected Reserves, in addition to the augmentation of essentially all naval units by Selected Reserves upon mobilization. The 15th active carrier air wing has been deleted from the program and the 15th carrier will carry a Reserve Air Wing. This increased dependence on the use of the Ready Reserve has enabled us to greatly reduce our original estimates of required active end-strength growth.

Aviation Safety

A very significant indicator of the greater proficiency of our personnel is the aircraft accident rate. This past year, 1985, was the safest year for combined (Class A, B, and C) mishaps in naval aviation history. For the second year in a row, we had less than four mishaps per 100,000 flight hours. The number of aircraft destroyed last year was also the lowest in history. That has brought about dollar savings in uncrashed aircraft in 1985 alone of nearly $235 million and the avoidance of much human tragedy.

Families

The Department of the Navy is continuing its efforts to improve readiness and retention through support of its military and civilian families. We are at the forefront in our emphasis on family support through Navy and Marine Corps Family Service Centers, day care centers, and the Spouse Employment Assistance Program.

Readiness

The fleet is more ready to go in harm's way than at any time in recent peacetime history. In the past five years, overall combat readiness for surface ships has improved by 94 percent, for nuclear attack submarines by 69 percent and aviation squadrons by over 200 percent.

The net increase in spare parts and ammunition has been far greater than the actual increase in funding applied to it. The reason has been the dramatic reforms in the way we have managed these funds. Despite the misinformation provided by self-appointed experts on defense procurement, the Navy initiated a major reform of its spare parts buying under the direction of the Secretary of Defense. Nearly all of the horror stories appearing in the press were the result of a vigorous pursuit of abuse by Navy personnel at all levels. We have been able, for instance, to raise competition in our purchase of aviation spares from a deplorable low of 6.9 percent in 1982 to the current level of 31.9 percent and climbing to an FY 86 goal of 40 percent. As a result, the increase of end items to the fleet is substantially more than the increase of funding would suggest.

Sea-based Nuclear Deterrent

The modernization of our sea-based leg of the strategic deterrent is proceeding well. We have added seven *Ohio*-class *Trident* SSBNs to the fleet since 1981, with six others authorized. The latest addition to the fleet was *Alaska* (SSBN 732) commissioned in January 1986. During sea trials, *Trident* submarines have met or exceeded all of their design specifications.

The first eight *Ohio*-class *Trident* SSBNs are outfitting with the *Trident* I (C-4) missile, joining 12 *Poseidon* SSBNs equipped with *Trident* 1. Over the past five years the development schedule of the *Trident* II (D-5) was begun and deployment accelerated, with an initial operational capability (IOC) of 1989. In addition, we have greatly strengthened command and control of our strategic forces, including construction of the Extremely Low Frequency (ELF) communications system, and have begun to procure a follow-on TACAMO command and control aircraft. Two years ago we began deploying *Tomahawk* sea-launched cruise missiles equipped with nuclear warheads for theater nuclear deterrence. They are now operationally capable on attack submarines, cruisers, destroyers, and reactivated battleships. This highly reliable, accurate, low cost weapons system is a tremendous force multiplier that adds a new and very stabilizing dimension to our deterrent posture, and matches a capability inherent in the Soviet fleet since the early 1960s.

Shipbuilding

Five years ago the President set a goal of doubling the naval shipbuilding program. We have maintained that ambitious goal despite continuing cuts from the original budget estimates. We have brought dramatic new efficiency, discipline, and cost savings to the management of Navy shipbuilding.

From the 479 battle force ships in the fleet when President Reagan took office, the fleet has grown to 547 ships today and 553 by the end of FY 86, reaching 600 by the end of 1989. In 1985 we delivered 19 new battle force ships, including two *Ticonderoga*-class *Aegis* cruisers and three *Los Angeles*-class attack submarines. Also, two Maritime Prepositioning Ship squadrons became operational in the Atlantic and Indian Oceans, with a third scheduled to be positioned in the Western Pacific in the fall of 1986. There are currently 84 naval ships now under construction, conversion or reactivation, at 17 different yards through the United States.

By canceling the Carter Administration plans to retire early the aircraft carriers *Midway* (CV 41) and *Coral Sea* (CV 43), and the DDG 2 and DDG 37 class destroyers, and by reactivating the battleships, we have been able to expand the fleet rapidly over the past five years without sacrificing investment in new construction for the 1990s and the next century. An added benefit of this approach has been a major influx of new business and employment in the shipyards doing conversion, reactivation, overhaul, and ship repair. Because of the major emphasis on readiness maintenance spending, we have been able to reduce the backlog of ships awaiting overhaul from 16 in 1981 to zero today even as we have increased the fleet by more than 66 ships.

A substantial benefit to the economy and to deficit reduction has been the immediate creation of very substantial numbers of jobs in a declining shipbuilding and repair industry. The Navy shipbuilding and repair programs now account for over 85 percent of all employment in that industry in the national shipyard mobilization base. On the larger impact of Navy shipbuilding, it has been estimated that every billion dollars in the Navy shipbuilding program creates 26,000 direct jobs and 12,000 secondary jobs.

Aircraft

In each of the eight years preceding the Reagan rearmament program, the Department of the Navy was not able to procure enough aircraft to replace those lost through peacetime attrition. In each of the past five years, however, naval aircraft procurement has been nearly doubled from the average levels of the preceding four, and procurement of aircraft spares has more than tripled. These high rates of procurement have been maintained because of an historic reversal of cost trends in naval aircraft programs. For the fourth straight year, all naval aircraft procurement programs are on a firm fixed-price contract basis, precluding the possibility of production cost overruns, and the annual prices of our new tactical aircraft have actually been coming down. Competitive pressures have been maintained by keeping four separate fighter and attack aircraft in production. In addition, we have been

able to maintain stable production rates through most of our aircraft lines.

In 1985 we deployed two of our newest weapon systems, the F/A-18 *Hornet* and the LAMPS MK-III with the SH-60B *Seahawk* helicopter, for the first time, as part of the USS *Constellation* (CV 64) battle group. Also, in 1985, we received the 12 F-21A *Kfir* fighters we have leased from Israel providing us with uniquely realistic adversary aircraft against which our aviators can train.

As part of the Reagan Administration emphasis on the Ready Reserve, new reserve units have been established and our reserve pilots are flying front line Navy aircraft. Some of these flying units are augmentation units to fill out fleet squadron strength upon mobilization, and others are commissioned squadrons.

Weapons and Ammunition

In the decade preceding the Reagan Administration, the Marine Corps was unable to procure sufficient ammunition to replace the stocks expended in normal peacetime training. As a result, sustainability and war reserves disappeared. During that same period, the Navy was held to such low levels of procurement of ammunition, missiles, and torpedoes that four years ago we did not have sufficient stocks to load out the reduced fleet of 479 ships—even once—with full magazines. We had less than a week's supply of the most important air defense munitions. Such enormous shortages created over a decade of unilateral disarmament in the 1970s are not going to disappear overnight. But five years of sustained growth in our ammunition accounts has now begun to refill our munitions stockpiles.

From FY 81 to FY 86, actual in-bin munition levels for Navy and Marine Corps major weapons (e.g. missiles and torpedoes) increased by 77 percent. (From FY 86 to FY 88, when current contracts will be delivered, these levels will increase by another 170 percent.) Despite the fact that there is a two-to-three year lag between funding and delivery, our overall ordnance stocks have grown between 20 and 60 percent larger than they were in 1981 and some will double by 1987.

Are we buying the "right" Navy for the Maritime Strategy?

Because research and development projects span decades, and ships take many years to build, the makeup of our fleet cannot change radically with each administration. Instead, the fleet evolves over time with policy and technology. The fleet today reflects the wisdom of the deck plates, the labs, and lessons learned from our exercises. The size and design of our ships and weapons reflect the inputs of sailors in daily contact with Soviet *Victor* submarines, *Kiev*-class carriers, and *Bear* aircraft. The wisdom of common sense and the highest available technology are tremendous advantages, brought to the design of today's Navy and Marine Corps.

Of course, there are many kinds of ships not in the fleet today that could do very well. The British *Invincible*-class vertical or short take-off and landing (V/STOL) carriers, for instance, are quite capable anti-submarine warfare ships. It would be nice to have some of them in the U.S. Navy. There are many attractive European frigate designs, and we could make good use of them. There are also diesel submarines in the navies of our friends that fulfill very effective roles.

If the taxpayers of our allies around the world were not buying these vessels, the burden would fall upon us. But happily, they are carrying a considerable share of the cost of naval defense and American taxpayers do not have to fund a Navy greater than about 600 ships.

Perhaps the oldest defense chestnut debated on op-ed pages and television talk shows is whether our aircraft carriers should be larger or smaller. There is no absolute answer to this question, but the evidence still seems overwhelmingly in favor of the *Nimitz*-class carrier of 90,000 tons as the optimum size and design for putting air capability at sea. The Soviets appear to agree with this analysis in building the largest possible carrier their facilities will permit.

We reject the simplistic argument of some, that smaller-simpler-cheaper is better. Our tremendous edge in technology is a permanent potential built into the nature of our culture and our economic system. We must build to this advantage, and not trade it away for cheaper, smaller, less capable ships and aircraft built in greater numbers, which is the forte of a totalitarian, centralized, GOSPLAN economy.

It would be a great mistake for us to adopt a defense strategy at sea—any more than on land—that attempts to match totalitarian regimes in sheer numbers of cheap reproducible items. Time and again the high tech solution —tied together with common sense—has proven to be the wisest investment, and by far the most advantageous one for the United States and its allies.

We are developing and building the "right" Navy. Although there are plenty of other kinds of ships we would like to have, and we could certainly use the larger Navy long advocated by the Joint Chiefs, we have stayed consistently with the 600-ship fleet goal because we are prepared to bet that our allies will continue to maintain modern, effective navies and air forces. We are prepared to accept the risk that our nation will make the right decisions to prevent losses of forces early in a conflict, and we think that that is a prudent risk to run in order to have an affordable Navy.

Can we afford the Navy this nation needs?

Some recent commentaries have suggested that we cannot afford to sustain, or properly man, a 600-ship Navy. They are in error. We are doing both and will do so in the future. We have now, under construction and fully funded, all of the ships necessary to attain a 600-ship Navy centered on 15 carrier battle groups, four battleship surface action groups, and 100 nuclear-powered attack submarines.

Our current and future budgets reflect the "sustaining rate" for the 600-ship Navy, an average of 20 ships a year in new construction. The actual number could be higher or lower in a given year, depending on the block obsolescence of various types of ships, and economies of scale exacted in any given year. With an average life of 30 years, 20 ships per year will sustain a permanent fleet of 600 ships.

This "good news" should not blind us to the requirements of the future. A steady 20 new ships a year average will require three percent budget growth. A future of zero-growth budgets—or worse—would mean that we will be unable to sustain a 600-ship Navy—or a capable defense. We know from painful experience in the 1970s that the damage done by no-growth funding is far greater than the mere percentage budget loss would indicate. With zero or negative growth budgets, the industrial infrastructure vital to fleet construction and support shrinks dramatically. The result is a loss in competitive bidding and a return to sole-sourced monopolies. Rates of production must then be cut, individual unit costs increase dramatically, productivity falls, and, in the final accounting, the American taxpayer gets much less "bang for the buck." Even worse is the decline in the quality and morale of the people who man the fleet, as we saw in the late 1970s.

Is 3 percent real growth beyond our means? Throughout the past two decades, many commentators favoring a reduced defense effort have repeatedly predicted that the American people will not support sustained defense growth. That refrain is still put forward by some as a fact of life. While it may express their hopes, it is not supported by history. That view takes as its norm the flat or even declining figures of the immediate post-Vietnam War period. In fact, except for those years, post-World War II naval budgets maintained growth commensurate with our national economy. The middle and late '70s, by contrast, are now being seen as an anomaly in U.S. history. It is not apparent that the American people wish to "restore" that aberrant pattern of declining numbers of ships, morale, and readiness.

A quarter of a century ago, on January 17, 1961, President Eisenhower delivered his farewell address to the American people. The speech, largely intended to warn the public against excessive and wasteful government spending, was to become the most quoted and remembered of any of his presidency. It was this speech that indelibly entered the term "military-industrial complex" in the lexicon of the American defense establishment. But also in that speech he said:

> "A vital element in keeping the peace is our military establishment. Our arms must be mighty, ready for instant action, so that no potential aggressor may be tempted to risk his own destruction."

Let us look at defense budget trends since that speech:

	Federal Outlays as % of GNP	DOD Outlays as % of Federal Spending	DOD Outlays as % of GNP
1960	18.5	45.0	8.2
1985	24.8 (up 34%)	25.9 (down 43%)	6.2 (down 23%)

This shows that federal spending as a percentage of GNP has *increased* 34 percent since 1960. Thus, Eisenhower's fear of ever-increasing government expenditures has been realized. But that increase has *not* been fueled by defense spending, which as a percentage of total federal spending has *dropped* almost 43 percent. *And,* despite the Reagan administration's military buildup, the percentage of GNP these outlays represent is 23 percent *less* than Eisenhower's last military budget (FY 60).

What of the "military officer bloat" that some "reformers" continue to inveigh against, citing as usual Ike's "military-industrial complex unwarranted influence" paragraph?

Consider this table:

	Overall DOD General/Flag Officer Strengths	Overall DOD General/Flag Ratio Per 10,000 Military	Overall DOD Officer Strengths	Overall DOD Enlisted-to-Officer Ratios
1961	1,254	5.0	315,000	6.9
1985	1,073	5.0	308,000	5.9

In 1985, the figures for each service were:

	General/Flag Officers	All Officers	Enlisted Personnel	General/Flag Officer to Enlisted Ratio	Officer to Enlisted Ratio
USAF	338	108,400	488,603	1:1766	1:4.5
USA	412	109,687	666,557	1:1618	1:6.08
USN	253	70,657	495,444	1:1958	1:7.01
USMC	65	20,175	177,850	1:2736	1:8.82
USN USMC combined	318	90,832	673,294	1:2117	1:7.413

Once again, the facts do not support the "bloated gold braid" school of defense reform.

Shifting the focus to budgets and dollars, Eisenhower's last military budget, FY 60, was $48.1 billion. Due to the ravages of inflation over 25 years, in 1986 dollars this amount swells to $213 billion. The Pentagon will have spent about $270 billion in 1986, an increase of 26 percent over Eisenhower's final military budget. This sounds like "considerable" growth until one considers that in FY 86 dollars, 1960's GNP was $497.9 billion. Last year's GNP was almost *eight times larger,* $3,890.1 billion. So despite the "record defense budgets" bantered about in the media, it is difficult once the facts are examined to conclude anything but the fact that *defense spending has not kept pace with the growth in the national economy since 1960.*

Still, Eisenhower's prophecies have been borne out. His admonishment to maintain balance among national programs has *not* been heeded. But, the much maligned military-industrial complex is *not* to blame for this imbalance. While Department of Defense outlays as a percentage of GNP were *dropping 23 percent* in a quarter century, non-DOD outlays grew more than 80 percent. In Ike's last year, 55 percent of all federal outlays were non-defense related. In 1985, 74 percent of federal spending was non-defense related, an increase of *more* than 35 percent.

Also, since Eisenhower's time, legislative oversight has now become anarchy. How? Ten years ago four committees wrote legislation on Defense. Today 24 committees and 40 subcommittees oversee Defense By actual measurement, current law and regulation on Defense procurement fill 1,152 linear feet of law library shelf space. Thousands of new pages are enacted yearly and almost none removed.

Is the Defense establishment overgrown? Yes. To cope with this avalanche of legislation and regulation, each military department headquarters numbers 2,000, as does the Joint Staff and its appendages and the Office of the Secretary of Defense staff. There are 10 Defense agencies numbering 85,000, and nine joint and specified commands that each average nearly a thousand. No intelligent human being would pay $700 for a toilet cover. It took a unified buying agency of 50,000 billets to do that.

This vast bloat in Congress and the executive branch has all been done over the past 30 years in the name of reformation at the altar of the false idols of centralization and unification. It has completely "clericalized" the procurement process, destroying authority and accountability and creating an environment in which only monopoly, cost-plus and single-source contracting processes flourish in a natural state. Competition, discipline, austerity and accountability are forcefully opposed by statutory complexity, bureaucratic inertia and congressional resistance. All this despite a few steady voices in Congress who have for years tried to improve the process.

We need no new legislation; we need the repeal of hundreds of linear feet of existing statutes and regulations.

We need no new bureaucratic entities; we need a large reduction in the number and size of existing ones.

We need no more centralization and unification; we need more decentralization and accountablility through which the strong Secretary of Defense can unify all efforts to a central policy.

We need Congress to end the current chaos of subcommittees and reassert an orderly, strong role in meeting its constitutional responsibilities through a reasonable number of serious subcommittees.

In short, both Congress and the defense establishment must be de-organized to liberate the thousands of dedicated defense professionals in both institutions from their bureaucratic bondage and allow their common sense to prevail.

Management Initiatives

Those who look pessimistically at the costs of sus-

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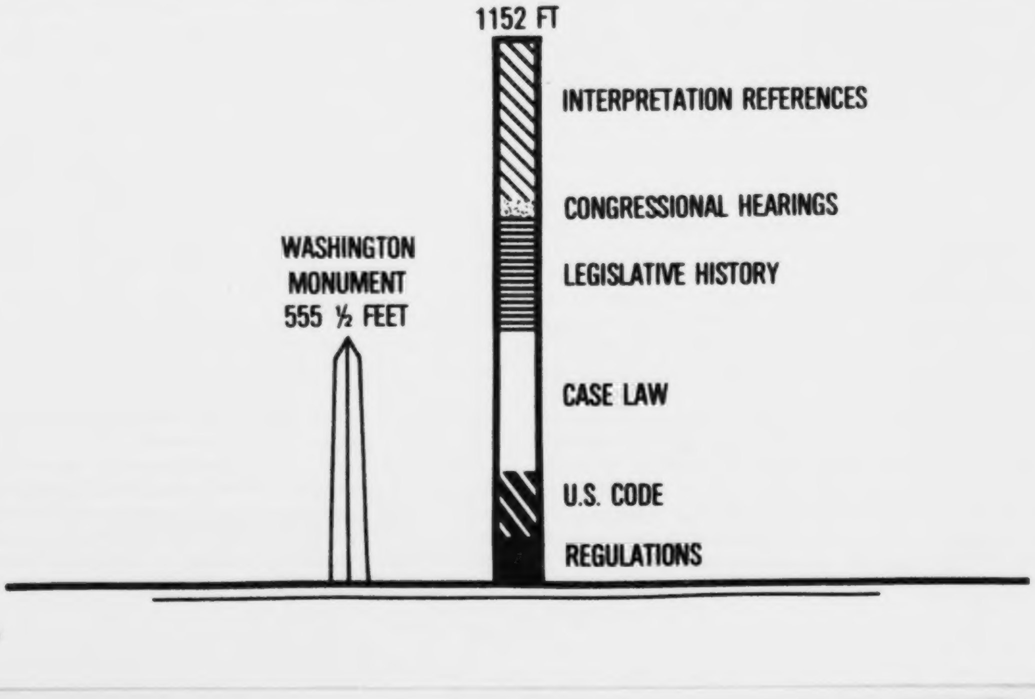


taining our Navy assume that just because this bloated, inefficient congressional-executive system has been in place for some 30 years that it will remain in place forever. I do not accept that. Moreover, under Secretary Weinberger's leadership we have shown in the Navy a historic reversal of the trend of inevitable cost increases.

The remarkable progress achieved in five years in the naval recovery program is testimony to the success of the vigorous program of improved management and acquisition reform instituted by Secretary Weinberger. Five years ago he reversed a long and disastrous trend toward centralization and bureaucratization of management, with its attendant diffusion and destruction of line accountability. His leadership has brought about a new discipline and new accountability. Management authority has been returned to the service secretaries and they have been held accountable for achieving real reform in the development and procurement process. The Committee should take special note of the 10 fundamental changes made in the management of the Department of the Navy:

True competition. We have sought true competition, not merely the appearance of competition through source selection followed by decades of monopoly production. We have pursued a policy of establishing second sources in every appropriate program. We have raised the percentage of competition in our shipbuilding from 15.7 percent in 1980 to 85.6 percent in 1986, producing an average of $1 billion in cost *under*runs for each of the last four years. In 1985 we awarded $1.7 billion in competitive spare parts procurements, a 70 percent increase over FY 1984 and a 293 percent increase over FY 1982. Contracts for shipboard parts in 1985 were 12 percent lower on average than the previous year for the second year in a row.

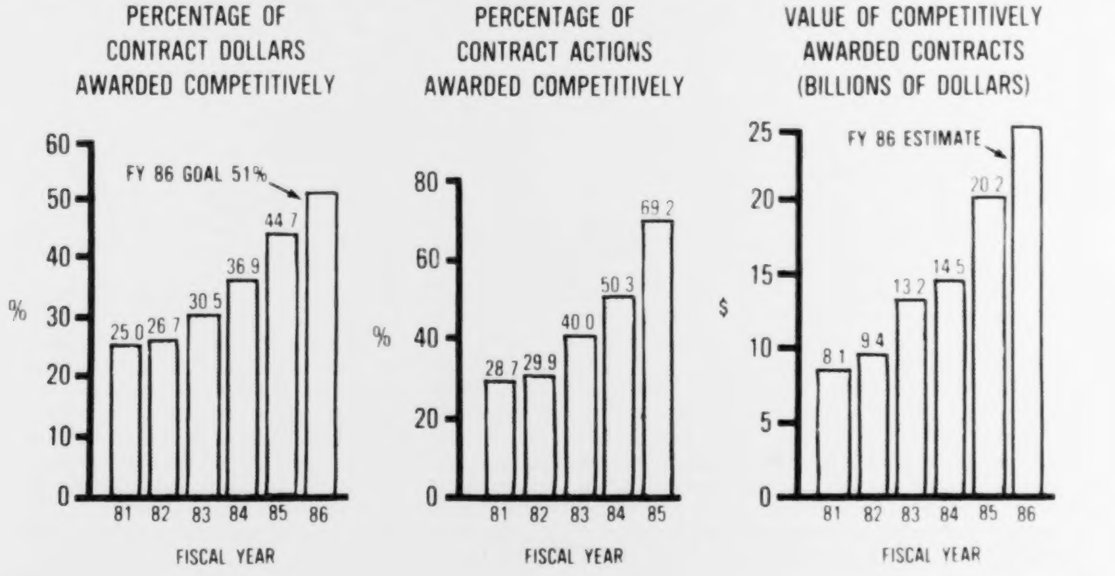
In 1983 we established at flag rank a Competition Advocate General, the first such position within the Defense Department. He now has a network of more than 250 Competition Advocates throughout the Navy's acquisition commands.

In FY 85 we awarded $20.2 billion competitively, or 45 percent of all Navy procurement dollars. That performance reflected $5.7 billion more than FY 84 and $10.8 billion more than we awarded competitively in FY 82. Over 69 percent of all individual contract actions executed in FY 85 were competitive, versus 50 percent in FY 84 and 30 percent in FY 82.

Contract savings from this new competitive approach in shipbuilding have been enormous. Today, for example, the last contract that we signed for a follow-on *Aegis* cruiser was $900 million. Four years ago, these cruisers cost more than $1.2 billion each, and were projected to reach $1.6 billion by the end of 1985. It did not happen, however, because we brought competition into the program. Both producing yards brought in new efficiencies and instituted strict cost discipline. The list goes on and on. As a result of these competitive savings, we were able to fund $410 million of the $467 million cost of the battleship *Missouri* (BB 63) from contract savings and, in addition, were able to contribute $640 million from our overall shipbuilding savings to assist in funding the MX program.

We continue to look for innovative ways to foster competition. For example, private and public shipyards went head-to-head in an overhaul competition beginning last September. The first of its type, the compe-

DEPARTMENT OF THE NAVY PROCUREMENT COMPETITION PERFORMANCE



tition is a test program to encourage cost savings and improve performance in both public and private shipyards.

Gold Plating Control. Without question, competition and fixed-price contracts are the formula for reducing costs in major procurement. But they can also be a formula for disaster, litigation, and claims, if a military service does not discipline its tendency to gold plate and to increase and change requirements during contract execution. We in the Navy have applied a new asceticism to our gold-plating lusts. Gold plating is now under firm control. An Air Characteristics Improvement Board and a Ship's Characteristics Improvement Board have now been established to control design and equipment changes in production of aircraft and ships. This has proved to be a very effective obstacle to gold plating and will carry into force our "Block Upgrade" policy. Under this policy, necessary changes and modernization in design are made only with new annual contracts and are priced and negotiated at that time rather than piecemeal in the middle of production runs. Very substantial savings have resulted from this procedure. No contract or engineering changes may be submitted for negotiation without the signature of the Commandant of the Marine Corps or the Chief of Naval Operations and the Secretary of the Navy.

Program stability. You will note that the personnel readiness, shipbuilding, and aircraft procurement goals have not been changed in the five years since I first appeared before you. This stability is unprecedented in peacetime history, avoiding the ragged ups and mostly downs of previous five-year plans with the terrible costs and efficiency penalties that such uncertainty brings. Most of our aircraft programs have remained at stable long-term levels, and the multi-year procurement initiatives that we have been able to achieve in the C-2A aircraft and CH-53E helicopter programs are saving taxpayers more than $190 million compared to their previously projected annual purchase prices.

Contract discipline, accountability, and quality assurance. We have moved from a policy of treating cost-plus contracts as normal to treating them as being only acceptable as an absolute last resort for very high risk programs.

Our policy now requires more equitable sharing between the government and its contractors, providing increased incentives for excellent performance and immediate contractor penalties for poor performance. We have put all of our aircraft procurement programs on firm fixed-price type contracts and all of our ships on fixed-price incentive contracts, most with a 50/50 share line above and below the contract price. We have renegotiated contracts inherited from prior years to eliminate the more lenient terms on such programs as *Tomahawk, Trident,* and the *Los Angeles*-class submarine. We now provide our contractors with the opportunity to make more profit than heretofore allowable, by achieving performance that nets the taxpayer a substantially lower price. The corollary is that we require the contractor to bear immediately the cost of poor performance. Industry had responded at first with reluctance and now mild enthusiasm. After years of very late deliveries, cost overruns, and litigation of claims, all of our submarines are now on or under budget. The four most recent *Trident* submarines were delivered to the Navy four to seven weeks early. *Theodore Roosevelt* (CVN 71) was launched a year ago nearly 18 months ahead of schedule and more than $100 million under budget. The *Trident* submarine *Alaska* was just delivered three months early and $60 million under budget.

And we are moving to shift more facilitization and tooling start-up costs from government to industry. Defense contractors are getting fair profits as a percentage of sales, but measured as a return on assets they are grossly out of line. The reason is that until now Navy policy did not require investment in productive capital equipment and facilities for production of Navy work. Under our new policy, once production has been approved, contractors are expected to provide all production tooling and test equipment and the required facilities. Recovery of these investment costs will be through standard business practice—depreciation and profit—as negotiated between the Navy and the contractor.

People. The people who manage our acquisition programs are critical to improving the way we do business. We must have experienced and highly skilled people performing program management and contracting functions to implement our acquisition strategy and cost-reduction initiatives.

Historically, Navy acquisition and procurement management has been plagued by rapid turnover of personnel, and inadequate experience and qualification in those assigned to those responsibilities. To correct these shortcomings, the most far reaching reform of naval officer career patterns undertaken in this century has now begun. A year ago we established the "Material Professional" career path. The first Material Professional screening boards met last year, and we now have over 900 officers, from commander to admiral, so designated. The career path of the Material Professional integrates sea tours with acquisition tours for an officer's entire career. Once an individual is selected to be a Material Professional, the warfare speciality is relegated to a secondary role. Approximately one-third of our flag officer billets have been set aside for Material Professionals. Now, pursuing a career in procurement and acquisition provides a path to promotion all the way to four stars that is as attractive as a line career.

Establishment of the Material Professional's career path provides the education, experience, and most importantly, the career incentives required to make our acquisition managers capable, skilled business professionals with the warfare background necessary to properly manage weapons systems. No procurement or acquisition billet may now be filled by other than a Material Professional without a personal waiver from the Secretary of the Navy.

Our civilian Senior Executive Service (SES) is being reformed as well. Members of the SES are our top-level civilian managers. Many have responsibilities equal to those of chief executive officers (CEOs) and vice president of major industries. In order to give our SES members a better range of experience and to help them understand a wide variety of Navy programs and areas, we have mandated a five-year rotation plan. This plan is based on the private industry philosophy that, as an executive advances, he or she needs to understand—hands on—all aspects of a company's business.

Research and Development (R&D) Reform. We have stopped chasing R&D rainbows. In a major effort to make dramatic increases in the productivity of our R&D dollars and in substantially shortening the time from concept to delivery, fundamental changes have been made in R&D management. In 1981 we had more than 500 R&D programs. Today we have reduced that to 395, while increasing steadily the amount of funding placed in these programs. We have moved away from cost-plus contracts for full scale engineering development, and we now require the contractor to participate in risk sharing. We are no longer spreading too few dollars over too many programs where the payoffs in capability and efficiency are marginal.

Beyond even this, we have pioneered a dramatic new concept in firm fixed-price development of aircraft, where appropriate. This approach prevents both the errors of "total package procurement" and "cost-plus buy-ins". The first of these breakthrough initiatives were the fixed-price contracts for the complete redesign of the F-14D and the A-6F aircraft upgrade programs. Both of these aircraft will be entirely re-equipped with new engines, new avionics, new survivability features, new cockpits, and new radars, for a combined total R&D cost on a firm fixed-price contract totaling less than half of the cost that it took to develop the F/A-18. The third example of this approach was the contract signed in 1984 with McDonnell Douglas and British Aerospace on a firm fixed-price package of $438 million for the complete development of the T-45A Navy carrier jet trainer. This contract was brought in at about half of the budget estimate of $810 million.

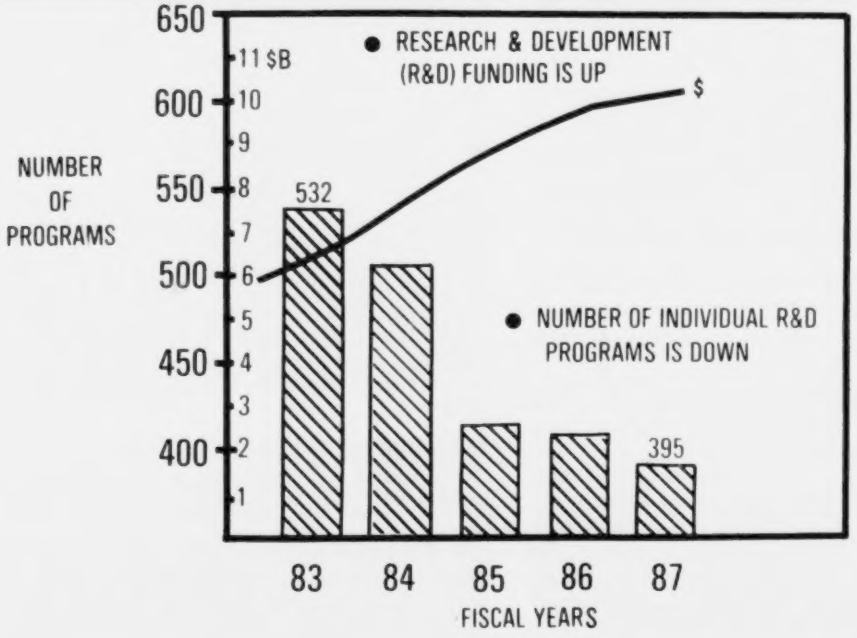
Achieving affordability through high technology. Emphasis in our research and development programs will continue to concentrate on achieving levels of high technology as a fundamental tool of American defense policy. We can never hope to match the numerical superiority of a totalitarian adversary such as the Soviet Union, but we can indeed maintain technological superiority to counter its advantage in numbers. The trendy arguments that cheaper and smaller are better are simply false. They have been invalidated time and time again in the Gulf of Sidra, Bekaa Valley, and the Falkland Islands. The results we are achieving now, with the F/A-18—for example—requiring less than half the maintenance man-hours per flight hour of the aircraft that it replaces, have enabled us to reduce our manpower requirements by some 50 personnel per squadron.

Similarly, our *Ticonderoga*-class *Aegis* cruisers are each manned by only 300 enlisted men and 26 officers, roughly a third of the complement needed for the *Chicago*-class they replace. The *Aegis* ships are also many times more capable than their predecessors.

The current generation of high tech naval aircraft such as the F/A-18, F-14A, and A-6E now has a safety record more than 20 times better than the so-called low-cost fighters of 30 years ago.

Putting our own industrial house in order. We recognize the need to put industrial activities—shipyards, air rework facilities, public works centers, laboratories, and ordnance activities—within the Department of the Navy on a sound and efficient basis, when measured against like industry in either the public or

DEPARTMENT OF THE NAVY
RESEARCH AND DEVELOPMENT REFORM
"STOP CHASING R & D RAINBOWS"



the private sector. The Department has completed a year-long effort to design major cost-saving management reforms in its industrial activities. We have directed the implementation of initiatives in seven functional areas and expect to achieve as much as a 25 percent savings in operating costs, with greatly improved fleet support, over the next one to two years. Actions to streamline management and operations with the resultant efficiencies are currently underway in naval shipyards, public works centers, naval air rework facilities and weapons/ordnance activities, and will shortly commence in laboratories and data automation centers. We are planning no sweeping redesigns. We intend to go back to the basics of management and control. Our industrial operations can be managed through the use of many of the same techniques that are found in successful private companies. Major improvements will result from returning authority commensurate with their responsibilities to activity commanders; doing a better job of matching work force with workload; and balancing costs and schedules. The reform of management of our naval industrial activities is currently our highest management priority and will remain so until firmly in place and anticipated efficiency savings are realized.

De-organizing and De-centralizing the Bureaucracy. The horrendous nature of the current over-layered system of defense management is well-known. We need no new bureaucratic entities; rather, we need a large reduction in the number and size of existing ones.

Accordingly, this past year we disestablished one of our own chief offenders, the Naval Material Command (NAVMAT). This has decentralized acquisition management in the Navy and streamlined the decision-making process. NAVMAT headquarters authority has been distributed among five individual systems commands formerly under its control. Four hundred and fifty positions have been eliminated, improving accountability in program management. The systems commands themselves are being realigned. The Electronics Systems Command has been restructured to include space systems, ships systems and aircraft systems, and other service and allied systems in a new Space and Warfare Systems Command.

Also, we reorganized the Naval Education and Training Command last year, cutting its manning approximately in half. Functions were passed to subordinate commands to eliminate redundancies.

Cutting Bureaucratic Make-work. In related moves, we have drastically reduced the non-mission-related administrative workload imposed on the fleet. A recent Blue Ribbon Panel study determined that a bloat of bureaucratic burdens has been imposed on our operational units by headquarters staffs and Congressional reporting requirements. We were appalled to find that in operational squadrons, aviators were forced to spend an average of two-thirds of their time on non-mission-related paperwork. As a result of this study, we have reduced administrative-related reports and duties imposed by Department of the Navy directives by over 50 percent. We have also recommended to the Secretary of Defense that 34 of the over 70 reports required by Office of the Secretary of Defense (OSD) directives should be cancelled. Secretary Weinberger has indicated that he will review the list of reports and that action will be taken to cancel those that are unnecessary. In the case of those reports established by statute, he will seek Congressional relief. Secretary Weinberger also stated that the results of his review will be applied to the entire Department of Defense.

Management Initiative Results

The results of these management initiatives are quite dramatic. A few highlights are listed below:

The disputes, litigation, claims, cost overruns, and schedule delays that characterized naval shipbuilding in the 1970s have been eliminated. Over the last four years (CY 1982-85), 78 ships have been delivered to the Navy of which 30 were ahead of schedule, 33 on schedule, and only 15 behind schedule. The net of all four years is 46 months ahead of schedule for all ships. After years of bitterness and massive cost overruns and claims in our submarine programs, all submarines have been delivered on or under budget. For the fifth straight year there has not been a single new construction contract shipbuilding claim outstanding against the Navy.

Aircraft carriers. Our acquisition strategy for nuclear aircraft carriers has been very effective in reducing the cost of achieving airpower at sea and in accelerating the growth to a 15 carrier battle group force level. Originally, a split buy of two new aircraft carriers in separate annual procurements for *Abraham Lincoln* (CVN 72) and *George Washington* (CVN 73) was estimated to cost $8,024 million. Our multiple ship award strategy in FY 83 brought these costs down to $7,270 millon, a savings of $754 million. Furthermore, since contract award, sound management practices and the success of the administration's national economic policies have achieved further cost savings of another $754 million, bringing the estimated end cost to $6,516 million for the two CVNs. These savings permitted us to return $450 million from the carrier account alone for reprogramming to the MX program. Escalation adjustment and shift of funds to other programs resulted in a further transfer of $54 million from the carrier program.

In addition to saving over $1.5 billion by our CVN 72/73 acquisition strategy, we will also deliver these ships earlier than would have been achieved by the traditional split annual procurement approach. We estimate that CVN 72 and CVN 73 will each deliver 22 months earlier than would have been achieved by the traditional approach. Also, we expect *Theodore Roosevelt* (CVN 71) to deliver by September 1986, at least 17 months earlier than the original schedule, through incentives we have established in the CVN 71 construction contract. Thus, a total of 61 additional nuclear aircraft carrier ship months will be achieved through our acquisition strategy.

***Aegis* Cruisers**. Bath Iron Works was selected as a second source to compete with Litton for procurement of *Aegis* cruisers. Contracts were signed in December 1983 for the first three cruisers to be competitively awarded: two to Litton and one to Bath. The contracts resulted in a net constant dollar savings of more than $100 million compared to the previous year's sole source award of three ships to Litton. In November 84, the second year of competition resulted in Bath winning two FY 85 ships and Litton one, with a net constant dollar savings of $97.7 million compared to the FY 84 award. In December 1985, the third year of competition resulted again in Bath winning two FY 86 ships and Litton one.

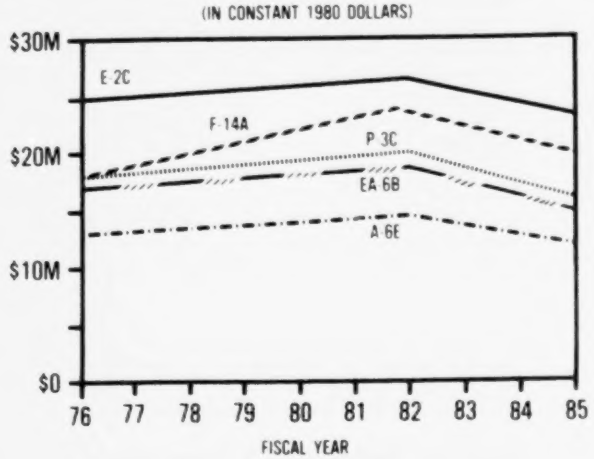
Battleships. *New Jersey* was recommissioned in December 1982 ahead of schedule and under budget. *Iowa* was delivered well ahead of schedule and under budget in April 1984 and is now deployed in the Caribbean. *Missouri* was in large part funded from contract savings and is currently ahead of its reactivation schedule in the Long Beach Naval Shipyard. Requests for proposals are out for *Wisconsin,* fully funded by Congress in FY 86. Award of a contract is anticipated in October 1986, with ship delivery in January 1989.

Build/Convert and Charter Programs. Thirteen Maritime Prepositioning Ships (MPS) and five T-5 tankers have been contracted for and are under conversion and construction. Eleven MPS have delivered; the final two deliver this year. Three of the T-5s have been delivered; the final two deliver this year. These ships provide a dramatic new capability to preposition the equipment and supplies to support three Marine Amphibious Brigades in areas of potential crisis around the world. The first six of the MPS ships were completed two months ahead of original schedule and under budget.

Aircraft Unit Costs. The flyaway cost of the F/A-18 *Hornet* has declined almost 17 percent during the past three years, from $22.5 million per plane to $18.7 million in 1985, a savings of 16.9 percent. In terms of FY 82 dollars, we are paying a price 32 percent below the rate paid in FY 82. This is part of a sea change, an overall downward trend of major Navy aircraft prices during the 1980s, a break with 30 years of uninterrupted cost escalation in naval aircraft procurement.

Contract Manning. In the major Reagan Administration effort to reinvigorate the maritime industry and the merchant mariner profession, a total of 16 more ships, including cable ships, missile range ships, and fleet tugs, will be offered for contract manning in FY 86 and FY 87. This will raise to 40 the total of naval ships offered for contract manning added by this Administration. This has resulted in a cost reduction of nearly 40 percent.

U.S. NAVY
AIRCRAFT UNIT COST TREND 1976-1985



Small Business. The Navy Department (from FY 82 to FY 85) increased by 55 percent in dollar value its awards to small businesses, including women-owned and minority-owned concerns. These contracts to small business totaled $7.046 billion in FY 1985, reflecting a new commitment to bring the benefits of competition and the small business industrial base to Navy procurement.

Navy Acquisition Reporting System. This new system has been a dramatic success. It involves a new, simple, and straight-forward acquisition reporting system for the top 60 programs. It requires quarterly reports on any changes of estimated cost for R&D or production or changes in schedule for each of those 60 programs and provides early warning of performance difficulties. While this system is primarily meant for senior Navy management, its effectiveness makes it a prime candidate for eventual replacement of the current Selective Acquisition Reporting System.

Assignment policy for Program Managers and Industrial Facilities Commands. The minimum tour length for officers serving in these important acquisition billets has been lengthened to four years. Arrival and departure from these assignments now is planned to coincide with major Department of the Navy Systems Acquisition Review Council (DNSARC) milestones and/or program starts or completions. Provision of guidance to promotion boards has been modified to increase emphasis on the performance of officers in acquisition management billets.

BOSS. The Department of the Navy instituted in 1983 a spare parts procurement program called Buy Our Spares Smart (BOSS). It is particularly frustrating to us to find that the abuses and overcharging uncovered by the Navy itself over the past three years—items for which we recovered monies—are being used by headline-hunting critics seeking to discredit the very effort itself. Working with suppliers and parts contractors, we have made great progress in finding abuses, receiving refunds, challenging sole-source relationships, locating alternative sources, and reducing barriers to competition for spare parts by identifying and eliminating proprietary-data requirements. There are more than 2.3 million inventory items in the Navy's spare parts supply system (over 65 percent are controlled by the Defense Logistics Agency). We are methodically re-examining the more than 600,000 under Navy control—over 100,000 of them during this past year.

Return on investment in BOSS is considerable. During 1984-1985, the Navy invested $101 million in BOSS resources and achieved cost avoidance exceeding $520 million.

In 1983, 13.5 percent of our spare parts were procured competitively. In 1985 the figure was 33.8 percent. We are competing more buys to achieve more reasonable pricing. Where competing the buy is inefficient, we are exercising proper management techniques to control prices. A 1983 audit showed 35 percent of our non-competitively procured spares to be overpriced. By 1985 that had been reduced to 18 percent, and the trend continues downward.

Depot Level Repairable (DLR) Components. In a major innovation in the management of maintenance funding, we have instituted a decentralization of the management of DLR components to the ship and the air station level. From 1981 to 1984 we tested financing the procurement and repair of non-aviation DLRs through the Navy Stock Fund. This improved material availability by 38 percent, reduced casualty response time by 26 percent, and increased the carcass return rate by 36 percent. We then began testing financing procurement and repair of aviation DLRs through the Stock Fund in April 1985. These initiatives establish a buyer/seller relationship between the Stock Fund and its customers who in turn are being held accountable for their expenditures. This should bring a much more frugal approach to ordering, based on truly needy, and an incentive to repair at the lowest authorized level and not waste repairable assets which can be turned in for credit.

Our management and acquisition reforms are not intended to impact the system for a few brief years only and then be buried under the weight of bureaucratic inertia and free-spending reaction. They are clearly being *institutionalized* into the very fabric of Navy life. In November 1985 I signed out an acquisition policy instruction codifying our acquisition reforms and ensuring their institutionalization at all levels of the Department of the Navy.

DEPARTMENT OF THE NAVY BUDGET FOR FY 87

The Source of the Navy/Marine Corps Budget

Commentators with little knowledge of defense policy have criticized the service budget requests as exercises in simply asking for more programs that have a momentum of their own. Nothing could be further from the truth. The preparation of the 1987 budget began with the foundation of national strategy and the maritime objectives assigned to the Navy and Marine Corps. From maritime strategy came the force structure planning requirement. Throughout the year, the strategy and the force levels have been refined and tested in multi-national exercises, simulations, and wargaming. The most important input to the preparation of this budget are the assessments of the operational and theater commanders in their net assessments and recommendations for funding priorities. The lessons learned from real-world operations and conflicts such as the Falklands and the Middle East are applied and often further modify the budget planning. From the start of the FY 87 programming process in September 1984, the application of common sense in placing priority on the "Strategy Areas of Concern" has been applied throughout. Then after exhaustive scrubbing and debate within the Department of Defense and with other agencies of the government, the Department of the Navy budget request has been completed.

Readiness

Personnel Readiness. The FY 87 budget continues to place personnel readiness at the top of spending priorities as in the previous five budgets. Nothing is more important than our personnel. The tremendous turnaround in morale and personnel quality and performance has proved to the skeptics that, for the Navy and Marine Corps, an All-Volunteer Force produces a better and readier force for the long term than a peacetime draft. This success, however, depends on the maintenance of adequate compensation and adequate quality of life. We must maintain budgetary support for those priorities. Our budget request contains the following priority programs:

- Even with the 3 percent pay raise on October 1, 1985, our uniformed people are still behind civilian wage growth by 8.3 percent. The FY 87 4 percent increase requested Oct. 1, 1986, parallels the projected OMB FY 87 civilian wage growth. This is the absolute minimum we need to stay even and not widen the gap even further.
- **Sea-duty Enhancement Programs.** Naval service can be arduous, dangerous, and dramatically ill-paid when compared to civilian careers requiring comparable skills. We have been able to bring this into better balance through our sea pay, submarine pay, and special pays. These are continued and adjusted upward in the current budget. We have new initiatives, of particular interest, to correct the injustice currently imposed in reimbursement of travel expenses, by increasing certain reimbursements and weight allowances.
- **Increases in End Strength.** We will continue to add about 20 ships per year to the fleet from now until 1989. We must have increased end strength to man these ships and our larger numbers of aircraft and support units. Because of Congressionally imposed reductions in the last four years, our end strength increase has not matched the requirements of the ships that have been added. The shortfall has been imposed on the shore establishment and that expediency can no longer absorb further cuts. Our active force end strength must be raised in FY 87 by 11,400 for the Navy and by 1,500 for the Marine Corps. Reserve force structure also needs expansion. We are requesting an increase of 13,100 Reserve average strength billets for the Navy and 900 for the Marine Corps.
- **Aviation Officer Career Pay (AOCP).** One of the most dramatically successful and cost effective compensation initiatives in Navy history has been the AOCP program. Retention of naval aviators almost doubled in the last five years of paying AOCP. Pilots and NFOs are currently being retained at the rate of 53 percent and 73 percent respectively. Since the inception of the program, 1,008 additional aviators have remained on active duty as a direct result of AOCP. The resulting cost savings were $823 million, which would have otherwise been needed to train their replacements. Shortages remain, however, in nearly all pilot and NFO communities.

In each successive year of this bonus, Congress has imposed restrictions and reductions. We have seen a significant drop in the pulling power of this bonus during the past year.

The smaller numbers and the shorter periods of eligibility have reduced the attractiveness of the bonus by an appreciable degree. We have

NAVAL AVIATOR SHORTAGES

COMMUNITY		PROJECTED SHORTAGE OF MID GRADE OFFICERS
VAL/VFA (LIGHT ATTACK)	PILOT	−216
VF	PILOT	−112
(FIGHTER)	NFO	−11
VAM	PILOT	−95
(MEDIUM ATTACK)	NFO	−20
VAQ	PILOT	−39
(ELECTRONIC COUNTERMEASURES)	NFO	−42
VS	PILOT	−72
(CARRIER ASW)	NFO	+ 11
VAW	PILOT	−39
(CARRIER AEW)	NFO	−25
VQ	PILOT	−42
(ECM/COMM)	NFO	+ 30
HS (CARRIER ASW)	PILOT	−15
HSL (LAMPS)	PILOT	−102
VP	PILOT	−186
(MARITIME PATROL)	NFO	+ 40

NFO = NAVAL FLIGHT OFFICER

seen a sudden spurt in resignations of pilots, and we believe the time to deal with this problem is right now before it reverses the positive trend of recent years. We will be proposing enhancement modifications to the Committee which should increase the attractiveness of the AOCP bonus and eliminate the current loss of entitlement to hazardous duty incentive pay and aviation career incentive pay. This remains the most critical compensation initiative we require.

- **Nuclear Officer Incentive Pay.** Retention of our nuclear-trained officers has improved by about 10 percent over the past five years. Nevertheless, a 22 percent shortfall in experienced nuclear trained submarine and surface warfare officers remains. We expect the shortfall to decrease to 11 percent by 1990 with the enhancement of nuclear officer incentive pay that was authorized in FY 86. Because of our shortages, we are forced to use our exceptional lieutenants in lieutenant commander nuclear engineering billets. We recognize the significant responsibility entailed in these assignments by "spot promoting" them to lieutenant commander. For this reason, spot promotion authority is essential. The accession bonuses paid to officers entering the program have met with continued success. This year we achieved 83 percent of our accession goal. The provision of these pay incentives for nuclear trained officers must be continued if we are to achieve our goals of manning the nuclear-powered ships with adequate numbers of trained and experienced officers.
- **Recruiting and Advertising.** As the target population for recruiting grows smaller every year and the economy grows strong, recruiting becomes increasingly more challenging. We have found disturbing survey evidence that youth awareness of Navy and Marine Corps programs is declining steadily. Navy/Marine Corps advertising acts as a significant tool for recruiting and we are asking for increased funding for both recruiting and advertising.

Material Readiness. Next to personnel, material readiness has received the highest funding priority of all Navy accounts during the last five years, and is up more than 30 percent for ships and 40 percent for aircraft since 1981 (as measured by C1 and C2 ratings). As we move steadily to our 600-ship Navy in 1989, we have maintained funding for material readiness proportionate to the growth in ships and aircraft. The FY 87 budget should continue to support that proportion and the steady improvement in overall readiness outlined earlier. We are requesting funding, for instance, for the ships' maintenance program to provide for the overhaul of 37 active and six Reserve ships. This is being done at considerably lower cost because of our shifting of overhaul contracting to a more competitive process based on fixed-price bids. It reflects also the carefully engineered extension of operating periods between overhauls for ships and aircraft, and the overhauling of selected systems during shorter regular maintenance availabilities.

The FY 87 funding request for flight hours has actually decreased from the past through tighter management while maintaining our goal of 25 flight hours per month per air crew. This has been accomplished in spite of a 4 percent growth in total hours, due to the addition of 112 crews.

Ship steaming days (50.5 days per quarter for ships in forward deployed fleets; 29 days for other ships) are funded at the same rate as FY 86, adjusted upward for the larger size of the fleet. This figure is based on the required steaming days to maintain readiness and training.

- **Aviation Support**. Planned procurement of aviation spare parts (AVCAL), aircraft armament equipment (AAE), aviation weapon support equipment (AWSE), and ground support equipment (GSE) is on track. Current funding provides for 90 days of AVCAL for 13 carriers in 1987, for 14 in 1988, and for 15 by 1989. GSE, AAE, and AWSE will achieve 100 percent carrier and shore station fill by 1988 through competition and procurement savings.
- **Ammunition.** A major reform of our procurement practices in munitions, emphasizing competition and dual sourcing, has made it possible now to have in hand the production rates necessary to reach our complete warfighting sustainability goals by 1991. That procurement rate is funded in the current budget. We intend to have second sources for virtually all requested surface-to-air and air-to-air missiles, ensuring that we will be able to sustain our steady buildup toward inventory requirements at the lowest possible cost. Full funding of our requests is essential if we are to maintain the efficiency and cost reductions we are now achieving through competition and production rates at optimum levels for lowest cost.

Shipbuilding

The FY 87 budget requests 21 new-construction ships, three conversions and reactivations. In the FY 87 budget we continue dealing largely with the modernization and maintenance of the 600-ship Navy in the '90s, rather than force-building to that number, already achieved during the last five years.

Aircraft Carriers. There are no aircraft carriers in the FY 87 budget and no new-construction carriers are needed until the early 1990s. We intend to request long-lead funding in FY 92 for a *Nimitz*-class replacement for *Midway*. *Theodore Roosevelt* was launched in October 1984 and will become the 14th deployable carrier in 1986. *Abraham Lincoln* will join the fleet in 1989 as the 15th deployable carrier, and *George Washington* will replace *Coral Sea* in 1991.

Battleships. The fourth and final battleship, *Wisconsin*, (BB 64), was fully funded for reactivation with FY 86 appropriations.

Trident **Submarines**. The FY 87 budget contains funding for the 14th *Ohio*-class submarine, which will have a *Trident* II (D-5) missile configuration.

Attack Submarines. The FY 87 budget contains funding for four *Los Angeles*-class nuclear attack submarines. It is essential, now that we continue to have both Electric Boat and Newport News producing these submarines with great efficiency, that we take advantage of the capacity to produce the numbers required at substantial savings. We estimate that the difference between contracting for four of these submarines competitively and contracting for three competitively means a reduction in price of $40 million for each of the four boats.

Aegis **Cruisers**. The FY 87 budget contains funding for two *Ticonderoga*-class *Aegis* cruisers, the 20th and 21st of the class. These ships will be competed for on a fixed-price basis for the fourth straight year between Bath Iron Works and Litton.

Aegis **Destroyers**. The FY 87 budget contains funding for three *Arleigh Burke*-class destroyers. The lead ship was appropriated in FY 85, and we expect to begin competitive series production in two shipyards this fiscal year. These ships are not force-builders, but will replace existing DDG 2 and DDG 37 class destroyers on a one-for-one basis.

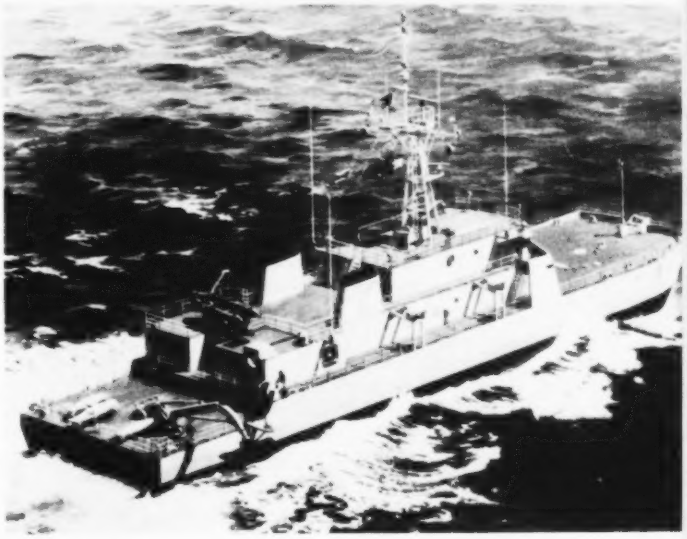
Amphibious Ships and Landing Craft. Five years ago we embarked on a program to expand our amphibious capability to meet the lift requirements of the assault echelon of one Marine Amphibious Force and one Marine Amphibious Brigade. That program is progressing very nicely. All of these ships will incorporate design features to operate the new generation of Marine Corps equipment such as the CH-53E, the MV-22 *Osprey* (formerly the JVX), the AV-8B *Harrier*, the LCAC, and the complete new suite of armor, artillery, and infantry equipment now entering the Marine Corps inventory.

LHD-1. The FY 87 budget contains long lead funding for the third and fourth ships of the new *Wasp*-class convertible amphibious V/STOL carrier, to be built in FY 88 and FY 89 respectively.

LCAC. The FY 87 budget requests no new Landing Craft Air Cushion (LCAC), initially produced by Bell Aerospace Textron. These craft are undergoing extensive operational tests and debugging. A second-source contractor—Lockheed—was selected, and competitive production by the two shipbuilders will continue with the FY 86 SCN award. The outyears envision a nine-craft-per-year program. This is the most revolutionary enhancement of landing craft in Navy-Marine Corps team history.

Mine Countermeasure Ships. The reconstitution of our mine warfare capability is now in full swing. For FY 87 we are requesting authorization and funding for four *Cardinal*-class coastal minehunters. Bell Aerospace Textron of New Orleans won the competition for the production of this new class of ship, based on the revolutionary surface effect design. For FY 88 we are requesting authorization for four more, plus three *Avenger*-class mine countermeasure ships, a program we have restructured in accordance with our new management initiatives.

Support Ships. The FY 87 budget contains funding for one fast combat support ship (AOE), two more oilers (T-AO), three more ocean surveillance ships (T-AGOS), one oceanographic research ship (AGX), and jumbo conversion of an oiler (AO). These eight ships will be awarded through fixed-price competition.



Sealift and Maritime Pre-positioning. Our budgets for the last five years have included significantly more money for strategic sealift than all previous budgets going back to World War II put together. The FY 87 budget sustains that momentum with funding requested for the conversion of two more auxiliary crane ships (T-ACS). We have now had much success with our program to grow the Ready Reserve fleet from 32 to 85 ships, having recently purchased 13 barge and vehicle carriers for $206.7 million. We are expanding our objective to achieve 100 dry-cargo ships, plus additional bulk oil carriers. The final two fast sealift ships deliver this year, completing the eight SL-7 ship upgrade to lift rapidly an entire army armored division.

Naval Aviation

This year marks the 75th anniversary of Naval Aviation. The FY 87 budget request contains 271 new Navy and Marine aircraft. This will build to an active inventory of about 5,700 aircraft, with roughly a quarter of these operated by the Marine Corps. A 14th active air wing is planned for FY 87, and our two reserve air wings are currently modernizing as part of our horizontal integration.

F-14 ***Tomcat*** **Fighter**. We have been able to maintain the stability in the F-14A production rate that, along with disciplined management, has brought about actual cost reductions in the airplanes. The FY 87 request for F-14A aircraft was reduced to 15 because of the delays in production associated with incorporating the F-110 engine in all FY 86 and subsequent aircraft. In addition, the Navy will continue development of the F-14D, under the firm fixed-price contract signed last year. This airplane will include new engines, avionics, survivability features, and radar upgrades. First production of the F-14D is planned for 1988.

F/A-18 *Hornet* **Strike Fighter**. We are requesting 120 F/A-18 aircraft. Because of the success of competing this airplane against the F-14 and the A-6, and because of very good performance by the contractors, we have brought the price of the F/A-18 down significantly every year. This year we have increased production to a more economic rate. We are considering a multi-year contract for the FY 88-92 buy-out of the program and anticipate even greater savings. This aircraft has set records for reliability and maintainability and proven its operational viability across the spectrum of warfare.

A-6 *Intruder* **All-Weather Attack Aircraft**. The A-6E continues to prove that it is the best all-weather precision bomber in the world. Based on the inputs of the joint and fleet commanders-in-chief, we have had to increase the requirement for the numbers of A-6Es in carrier air wings. As a result, we have a significant current shortfall of A-6 aircraft which will grow worse in the years ahead. This problem continues to be exacerbated by A-6E wing fatigue life. While all A-6Es are meeting the design specification for wing life, it had been hoped that wing life could be extended as much as 100 percent. That is not possible. We have, therefore, competed and awarded a firm fixed-price contract to design, produce, and install new wings on all A-6s which are warrantied for 8,800 hours.

Funding is included in this year's budget for the continuation of the firm fixed-price contract signed last year for the development of a completely modernized A-6F. We have just signed "production-not-to-exceed" contracts which are also in this year's budget. This aircraft will incorporate the F-404 engines, avionics and survivability features of the F/A-18, and will include a new state-of-the-art dual-mode radar. First production of the A-6F begins in FY 88.

AV-8B *Harrier*. The U.S. Marine Corps AV-8B completed both phases of its operational evaluation last March with great success. It has proven to be far superior in every mission area to the aircraft it is replacing, the A-4M and the AV-8A. Two squadrons are now operational and have completed successful training deployments. The aircraft is demonstrating a very good readiness availability. The FY 87 budget includes funding for 42 aircraft.

P-3C *Orion*. The FY 87 budget includes funding for nine P-3C maritime patrol aircraft.

CH/MH-53E *Super Stallion*. Funding is requested for 14 CH/MH-53E heavy-lift helicopters in the second year of a four-year multi-year procurement that will save $102.9 million. Four of these aircraft will be HM-53Es, the minesweeping version.

SH-60B AND SH-60F *Seahawk*. The SH-60B *Seahawk Lamps III* helicopter received approval in 1981 for full production. The FY 87 budget contains funding for 17 of these aircraft, and for seven SH-60F helicopters as the initial procurement of a replacement for the carrier-based SH-3 *Sea King*. The SH-60F is an austere modification of the SH-60B *Lamps III* helicopter. It will satisfy carrier search and rescue re-

quirements, and its dipping sonar will meet an urgent requirement in dealing with the close-in Soviet submarine threat.

SH-2F *Seasprite*. The FY 87 budget contains funding for six *Seasprite* helicopters. This light-weight ASW helicopter provides valuable capabilities to those ships that will not be modified to operate the heavier Lamps III helicopters, primarily *Knox* and *Oliver Hazard Perry*-class frigates, and will modernize the Naval Reserve.

V-22 *Osprey*. The FY 87 budget contains funding for the continued development of the V-22, formerly known as JVX. The Department of the Navy is the lead service for development and production of the *Osprey* for all the services. It will replace the aging CH-46Es and CH-53A/Ds in the Navy and Marine Corps' inventory. in addition, modifications of this aircraft will be applied to many other missions in all of the services. We are including from the inception of this program the establishment of two production lines to compete annual production buys in the future.

E-6A TACAMO. Funding is requested for three E-6A aircraft in FY 87. The TACAMO mission, now performed by EC-130 aircraft, provides a command link between the SSBN force at sea and their commanders. Replacement of the EC-130 force with the E-6A, a Boeing 707 derivative, will begin in FY 88.

Other Aircraft. The FY 87 budget includes funding for the final nine C-2 aircraft. The C-2 contract has been an extremely successful multi-year contract, now yielding more than $100 million in cost savings.

Marine Corps Programs

Maritime Pre-positioning Ships (MPS) Brigade Equipment. Funding is requested in FY 87 for the third MPS Brigade and to continue equipment maintenance, modernization, and exercise funding for the first and second MPS Brigades. The second MPS squadron has replaced the Marine Corps portion of the Near-Term Pre-positioning Force (NTPF) ships, and funding continues to be required to rework NTPF supplies and equipment prior to reassignment to the third MPS squadron, to Pre-positioned War Reserve (PWR) stocks or to the filling of unit equipment deficiencies.

Norway Pre-positioning. The Marine Corps program for pre-positioning selected equipment and supplies in Norway allows a Marine Amphibious Brigade (MAB) to move from the United States to the critical northern flank of NATO in days, with a minimum requirement for strategic lift.

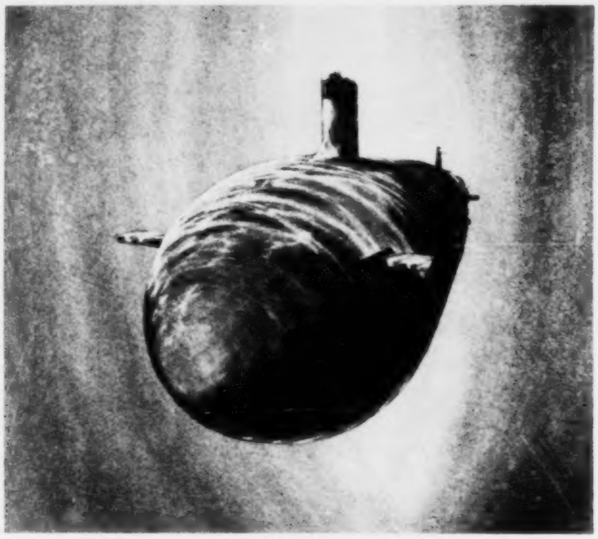
M-198 Howitzer. The FY 87 budget contains continued funding for the M-198 to complete replacement of our towed artillery pieces with a weapon of significantly greater range, reliability, maintainability, and lethality. Ninety-four are requested in FY 87.

Infantry Weapons Programs. The FY 1987 budget contains continued funding for the fielding of new infantry weapons, including the M16A2 service rifle and the M249 Squad Automatic Weapon (SAW), capable of engaging targets out to 800 meters with the new NATO Standard 5.56mm cartridge.

Assault Vehicle Launched Bridge. This program will eliminate critical shortfalls in our assault river crossing capability. Eight are requested in FY 87.

Research, Development, Testing and Evaluation (RDT&E)

The FY 87 request for RDT&E is 10.2 percent of the Navy's total request. It represents the accomplishment of the pledge made five years ago to streamline and reduce the number of R&D programs and increase the funding where there is high payoff. We have reduced from well over 500 RDT&E programs in FY 81 to 395 in the FY 87 budget. A significant proportion of the entire budget is devoted to programs currently in full-scale development, including the *Trident* II (D-5) missile, the F-14D and A-6F, and E-2C and aircraft upgrade programs. Also of significance are the



continuation of the SSN-21 Combat System, the MK-50 advanced lightweight torpedo, and the MK-48 ADCAP Torpedo.

Seawolf **(SSN 21)**. Continued R&D funds are required for this extremely important new submarine, designed to counter Soviet threats in the full range of expected missions far into the 21st century. *Seawolf* will be quieter, faster, deeper diving, more heavily armed, and more capable of under-ice operations than today's attack submarines. Authorization for the first ship is planned for 1989. A firm ceiling has been placed on the lead and follow on submarines of this class. On Dec. 10, 1983, we approved the conceptual design and established a lead ship price at a firm ceiling of $1.6 billion in FY 85 dollars, and a firm ceiling of $1 billion for the fifth and follow-on submarines. This was the successful approach used on DDG 51 and is being applied to all new ship classes.

Oceanography

Knowledge of the ocean environment is critical to tactical and strategic force employment. We are now at the threshold of a new era with the potential for offering explosive growth in our understanding of the ocean. We are taking advantage of this technological opportunity by:

- Reinvigorating the oceanography designator as an elite corps;
- Investing in more capable equipment, such as the Navy Remote Ocean Sensing System (NROSS), and in oceanographic research vessels;
- Establishing an Institute for Naval Oceanography to provide the means to integrate newly emerging data from satellites and other varied sources to that it can be readily disseminated to our fleet; and
- Increasing our educational commitment within the military and civilian oceanographic community.

We have raised substantially the number of graduate fellowships in ocean sciences for naval personnel, increased the number of academic chairs in oceanography, and strengthened the ocean sciences' technology base.

The first Secretary of the Navy Fellow in our new Master of Ocean Sciences Program was Ensign Kristine Holderied, the top Naval Academy graduate of the Class of 1984, now pursuing her studies at MIT and the Woods Hole Oceanographic Institution. The first holder of a Secretary of the Navy Research Chair in Oceanography is Dr. Robert Ballard of Woods Hole. Dr. Ballard and his team, with Navy funding, developed the *Argo/Jason* Undersea Search and Exploration System that located the sunken wreck of the *Titanic* last year. The *Titanic* discovery was a spectacular demonstration of the *Argo* submersible's capability.

Our FY 87 commitment in the technology base has been increased by approximately 6 percent, to $122 million. The NROSS will allow us to acquire global ocean data for operational and research use by both the military and civilian sectors. Our revitalization of ocean research vessels started in FY 85 with the procurement of two new deep-survey ships. Follow-on shipbuilding efforts are beginning this year. The Institute of Naval Oceanography will use a large-scale computer to closely link universities, research institutes and the Navy in assimilation and use of ocean data from all sources.

Command, Control, and Communications (C3)

Major investment to improve naval C3 is strongly emphasized in this budget. Anti-jam communications development and implementation is our primary thrust to achieve reliable, secure tactical communications in support of fleet operations.

In order to provide anti-jam communications to the fleet and to help achieve a common, multi-service Joint Tactical Information Distribution System (JTIDS) program, the Navy has decided to stop work on its contract for JTIDS terminal development and to restructure the FY 86-91 Navy JTIDS program to procure the Air Force TDMA terminal as soon as possible.

Space

With three-quarters of the Earth's surface covered by the seas, the Navy has always had a priority interest in the maritime dimension of space. Naval operations are increasingly dependent on space systems strategically, tactically, and in peacetime. Nearly 85 percent of all operational satellite system outputs provided to the armed forces are used by the Navy. The coordination of military service and civilian agency activities in space has been remarkably smooth and successful. The establishment of the Naval Space Command in 1983 and the Space and Naval Warfare Systems Command in 1985 has greatly improved the management focus of Navy efforts in space.

Reserve Programs

Five years ago the Department of the Navy undertook a major reorganization of Reserve components to move from a vertical to a horizontal relationship with the active forces. Essentially, that means that the Reserves must provide immediate augmentation to the active force in time of emergency across the entire spectrum of warfare. It means also that, in peacetime, we rely on Selected Reserves to provide real-time fleet support across their mission areas. To execute this common-sense policy, the Reserves must have equipment compatible with the active forces. For instance, instead of providing the Reserves only such equipment as becomes obsolete and is removed from the active force, there must be a spectrum of new and old equipment reflected in the Reserves parallel to and in the same proportion as that in the active force. We have taken fundamental steps to bring this about:

- Eleven modern *Oliver Hazard Perry* and *Knox*-class frigates have been transferred to the Naval Reserve Force, with a total program of 26 frigates planned by 1990.
- The first Reserve squadron has now transitioned to the F/A-18 and and two other squadrons to the F-14A.
- Modern A-7E, E-2C, and SH-2F aircraft have or are being transferred or acquired for Reserve units this year, with other fleet aircraft to follow during the current five-year plan.
- Squadron augmentation flying units have been established and have been operating successfully with each active duty air wing, providing current-trained aviators and maintenance personnel for immediate augmentation to active duty squadrons.

The Naval Reserve contains several components which only exist in the Reserves: 100 percent of the Navy's U. S.-based logistics support squadrons; 100 percent of light-attack helicopter squadrons; 100 percent of our combat helicopter search and rescue capability; 100 percent of naval mobile inshore/undersea warfare units – the "Brown-Water Navy" – structured for combat on inland waterways. Upon mobilization, the Reserves provide 99 percent of naval control of shipping organization manning for merchant ship mobilization and convoy formation for overseas operations; 86 percent of our ocean going minesweepers; 86 percent of the cargo-handling battalions vital to port management and loading operations in combat theaters; 85 percent of Military Sealift Command military personnel; 68 percent of Naval Mobile Construction Battalions, the famed Seabees; 66 percent of Special Boat Forces; 35 percent of maritime antisubmarine warfare patrol aircraft squadrons; 34 percent of naval intelligence personnel; 21 percent of ASW helicopter squadrons needed for fleet and convoy anti-submarine defense efforts; and 14 percent of our tactical sea-based aviation capabilities.

The Marine Corps relies heavily on a fully trained and capable Reserve component to complement its active force. Upon mobilization, this reserve component provides up to 33 percent of the Marine Corps' wartime manpower requirements. The Reserves provide 40 percent of Marine tanks; 33 percent of the heavy artillery; 30 percent of the light attack aircraft; and 33 percent of the anti-aircraft missile capability.

It is not often realized how fully integrated our Navy and Marine Corps Reserves are becoming in our active force structure and peacetime operations. Naval Reserve C-9 transport aircraft made many trips in support of our Marines ashore in Beirut during 1983 and 1984, and provided direct support to our operations in Grenada during the same period. The Ready Reserve provided 349 volunteers for three-week tours of duty aboard the battleship *New Jersey* during its 11-month 1984 deployment, enabling most of the crew to rotate home for leave. And for the last two years aviation squadrons aboard deployed carriers have been augmented by reservists from Squadron Augment Units (SAUs) on voluntary temporary active duty.

A most successful new initiative begun in 1983 was the Sea/Air Mariner program that now provides 10,000 first-term enlistments per year directly into the Naval Reserve. In FY 85 a similar program for junior officer accessions directly into the Reserves was initiated in the Navy.

The newly begun Sea/College program will target the high-quality youth market for active naval service to broaden the quality base of enlisted personnel, attract high quality recruits for non-technical ratings and provide a stable input of fleet experienced general detail, non-rated enlisted personnel to the Ready Reserve.

CONCLUSION

The progress outlined above and the programs proposed for the future should be a source of much pride to this Committee and to Congress as a whole. It is strong testimony to the proposition that Congress and the Executive Branch not only can work together, they can achieve dramatic results in a very short period of time. In five short years we have made a real change in the global maritime balance. We have increased available ship days 40 percent for submarines and 20 percent for surface combatants. No longer do we have a one-and-a-half-ocean Navy for a three-ocean commitment; no longer do we have ships that cannot deploy on time for lack of trained sailors; no longer do we have a hemorrhage of talent from our career forces; no longer do we have an unending spiral of cost overruns and escalations; no longer does the world perceive the United States as a declining world power. The modest 5.6 percent average increase in the Navy/Marine Corps budget for the last five years has paid enormous dividends and provided capabilities many times more than that increment.

As you consider the dilemma of deficit reduction, the Eisenhower Farewell Address that I cited earlier seems particularly relevant, if it is considered in its entirety. The "unwarranted influence" of the "Military-Industrial Complex" will remain forever the legacy of this speech, but in its opening paragraphs, the only professional soldier to reach our nation's highest office in the 20th century set forth the challenges he saw for America in the future:

"We face a hostile ideology – global in scope, antheistic in character, ruthless in purpose, and insidious in method. Unhappily, the danger it poses promises to be of indefinite duration. To meet it successfully, there is called for, not so much the emotional and transitory sacrifices of crisis, but rather those which enable us to carry forward steadily, surely, without complaint the burdens of a prolonged and complex struggle – with liberty the stake."

To "carry forward steadily, surely, and without complaint, the burdens of a prolonged and complex struggle . . ." should be the watchwords of our nation's leadership. We in the Department of the Navy have every confidence that the Congress will demonstrate the constancy of purpose required to ensure the continued strength of our Navy and Marine Corps in a complex and frequently hostile world.

Posture Statement by Chief of Naval Operations
Admiral James D. Watkins

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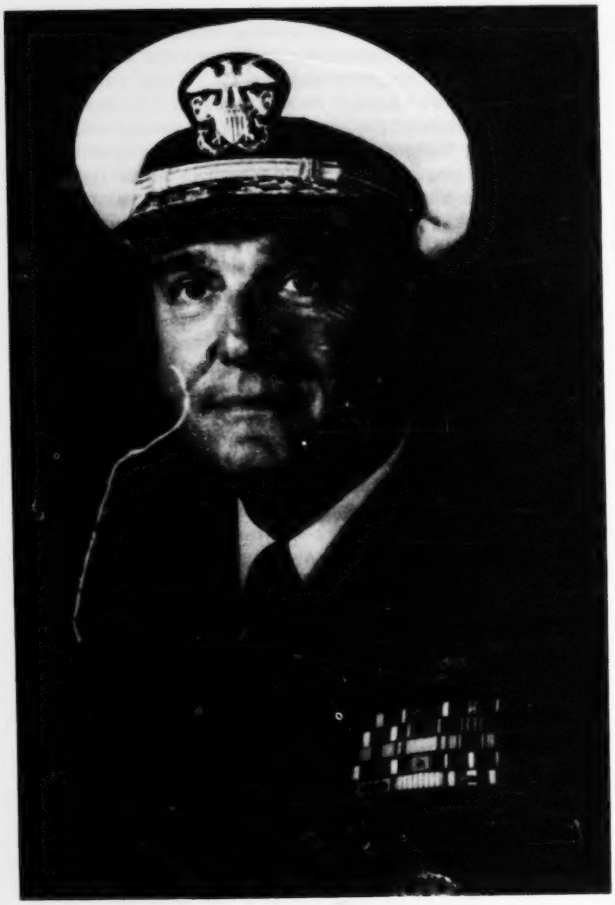
ADMIRAL JAMES D. WATKINS
CHIEF OF NAVAL OPERATIONS



James David Watkins was born in California on March 7, 1927. A 1949 graduate of the U.S. Naval Academy, he served in destroyers, then submarines. He received a master's degree in mechanical engineering from the Naval Postgraduate School in 1958 after completing the reactor engineering course at the Oak Ridge National Laboratory.

From 1960-62, he served as executive officer of the nuclear-powered submarine USS *Snook* (SSN 592). Later, from 1964-66, he commanded the same submarine, participating in the first visit of a nuclear-powered ship to Yokosuka, Japan, during that tour. Between these two tours of duty, he was assigned to duty in the Office of Manager Naval Reactors, Atomic Energy Commission. By 1967, he had left submarines and served as executive officer of the nuclear-powered guided missile cruiser USS *Long Beach* (CGN 9) during two Gulf of Tonkin deployments in which *Long Beach* participated in shooting down five North Vietnamese enemy aircraft, two by long-range missiles.

He was then ordered to duty in the Bureau of Naval Personnel and became director of the nuclear-trained personnel branch. After selection to rear admiral in 1971, he was again assigned to duty in the Bureau of Naval Personnel as director of enlisted personnel, the first flag officer to be so assigned.

In September 1973, he was ordered to duty as Commander, Cruiser-Destroyer Group One, subsequently commanding Cruiser-Destroyer Force, U.S. Seventh Fleet, as well a surface task group which deployed to the Indian Ocean in 1974. In December 1974, he was nominated for promotion to vice admiral and, in April 1975, was appointed Deputy Chief of Naval Operations for Manpower and Chief of Naval Personnel.

In September 1978, he was ordered to duty as Commander, Sixth Fleet, also assuming NATO duties as Commander. Naval Striking and Support Forces Southern Europe. In April 1979, the President nominated him for appointment to the grade of admiral and as Vice Chief of Naval Operations. He served as Commander in Chief, U.S. Pacific Fleet from July 31, 1981 to May 28, 1982. Admiral Watkins was nominated in March 1982 by President Reagan to succeed Admiral Thomas B. Hayward on June 30, 1982, as the 22nd Chief of Naval Operations.

Admiral Watkins married Sheila McKinney of San Diego, Calif., in 1950. They have six children: Katherine, Laura Jo, Susan, Charles, James Jr., and Edward. His brother, retired Captain George C. Watkins, USN, was a graduate of the Naval Academy, class of 1944. His son Charles is a 1977 graduate of the Naval Academy. His son Edward received his commission and was graduated from the University of California, Berkeley campus, in December 1985.

A Report by
Admiral James D. Watkins
Chief of Naval Operations
on the Posture and Fiscal Year 1987 Budget of the U.S. Navy

Mr. Chairman and distinguished members of the Committee: For the past four years, I have been privileged to lead our Navy on a steady course of growth, rejuvenation and restoration. I have been able to inform you the Navy is increasingly ready to perform its duties, a fact many of you confirmed first-hand by observing the superb performance of our sailors at sea. In no small measure this success has been due to your support and to our partnership in defense matters.

We are at a critical point. National consensus on defense has fragmented amid concerns over the deficit, allegations of defense wastefulness and assertions that substantial defense expenditures have produced insubstantial results. Plans for modest growth are fragile in view of last year's no-growth appropriation and the impending prospect of automatic cuts in budget request and outlays. It is time to place in perspective accomplishments of the past few years and to take a long-term look at requirements of the future. Decisions made over the next several months will chart the course for the remainder of the decade and beyond. We should avoid the tendency toward analysis by anecdote, and instead establish a consistent benchmark to measure performance and determine requirements.

There is a single framework to measure Navy accomplishments, assess the adequacy of forces, and establish requirements. The framework is strategy—national strategy in general, and its maritime component in particular. In my first report to you three years ago, I set forth the emerging outline of a maritime strategy which included a fresh review of linkages between national policy and military strategy. Subsequent development and application of maritime strategy has ensured that requests for resources match requirements and that fleet operations and training proceed from a common perspective toward logical goals. Maritime strategy has also provided a coherent foundation for explaining Navy's purposes and discussing our course with the Congress and other important audiences outside the Navy. Strategy has become the nucleus of our profession.

Therefore, I want to review the principal outlines of the maritime component of national strategy. I will assess the Navy's performance and describe our accomplishments measured against the strategy. I will discuss near-term requirements reflected in our budget submission, and describe how maritime strategy shapes this program. Finally, I would like to consider longer-term challenges and opportunities which will shape strategy as we approach the 2lst century. At this critical point you need and deserve a clear standard to assess the Navy's progress and set our future course. If you measure us by the strategy standard, you will find our programs justified, supportable, and essential to protecting this nation's interests today and in the future.

MARITIME STRATEGY AND NAVAL OPERATIONS

My previous reports to you have traced development of our strategy for deterring or, if necessary, fighting the Soviets in a major war, as well as for supporting national objectives in a variety of more likely operations short of major war. It is important to review briefly the sources, characteristics and new directions of maritime strategy to place it in perspective.

Maritime strategy is founded on basic United States national security objectives which include preserving the United States as a free and sovereign nation; supporting the country's economic well-being; fostering an international order consistent with our interests; and protecting the United States, its allies, friends, and overseas interests from coercion or attack. Given the worldwide scope of our interests and obligations, the realities of geopolitics, and the nature of American government and society, national military strategy has consistently focused on three interrelated elements:

- Deterrence: Demonstrating military capability and will to deter and, if necessary, fight any potential aggressor at the required level of conflict.

- Forward defense: Maintaining deployments and rapid response capabilities to protect U.S. interests and commitments worldwide and counter threats far forward. Forward defense is not only an integral part of deterrence, but ensures that, if deterrence fails, the fight will be in the aggressor's backyard, not ours.

- Alliance solidarity: Recognizing that allies are essential to deterrence in peace and crises, and to coalition warfare if deterrence fails. Alliances contribute both to the requirement for forward defense and to our capability to sustain a forward posture.

While these elements of national strategy have remained constant, the world environment and threats to our interests have not. In the maritime arena, two factors have profound effects on our ability to sustain a world compatible with our interests. First, Soviet naval and military threats have become truly global. Second, rise of an era of violent peace has threatened international order and stability.

The Soviet Challenge and MaritimeStrategy

Over the past two decades, the Soviets have developed a formidable and continually improving blue-water navy able to further Soviet interests and challenge U.S. interests worldwide. Their navy, with impressive new capabilities, has demonstrated the ability to conduct large-scale operations far from their shores, as reflected in recent open-ocean exercises in the North Atlantic and North Pacific. The most salient features include:

- Global disposition. As an example of the rapid Soviet evolution from a defensive to an offensive global naval power, the Soviet Pacific Fleet more than doubled its operating days out of home waters since 1975, and its major surface combatants and submarines increased by more than 20 percent. It is now the largest of their four fleets, testimony to their recognition of the Asian region's growing importance and potential in the global scheme of things.

- Global reach. The Soviets are increasingly capable of sustained operations in distant areas. Recent fleet additions clearly reflect increased attention to range and endurance. Military airlift and sealift have grown significantly. Relationships with fellow Marxist states have given the Soviets access to air and naval facilities in key locations near vital sea lines of communications, including South Yemen, Ethiopia, Angola, and Vietnam, as well as their longstanding presence in Cuba. Most noteworthy, the Soviets have established their first fully developed overseas base at Cam Ranh Bay, Vietnam. It supports a sizeable contingent of ships, submarines, tactical and long-range aviation. Figure I indicates the disposition and reach of today's Soviet Navy.

- Evolving full-spectrum capability. The Soviet Navy is aggressively developing the range of warfare capabilities commensurate with its global posture. The Soviets not only have the world's largest submarine force, but have introduced 13 new classes of submarines since 1975, 3 in the last 2 years alone. By contrast, the United States has introduced only two new classes during the same period. New Soviet submarines incorporate fundamental improvements over previous classes, including quietness, and sensor and weapons capability. New surface ships mount modern, capable anti-air and anti-submarine warfare systems to complement the Soviet fleet's historically strong suit of anti-surface warfare. Soviet Naval Aviation also gained significant new capability with introduction of the *Backfire* supersonic bomber in the mid-1970s, and will take another quantum step forward with completion of their first large-deck aircraft carrier late in this decade.

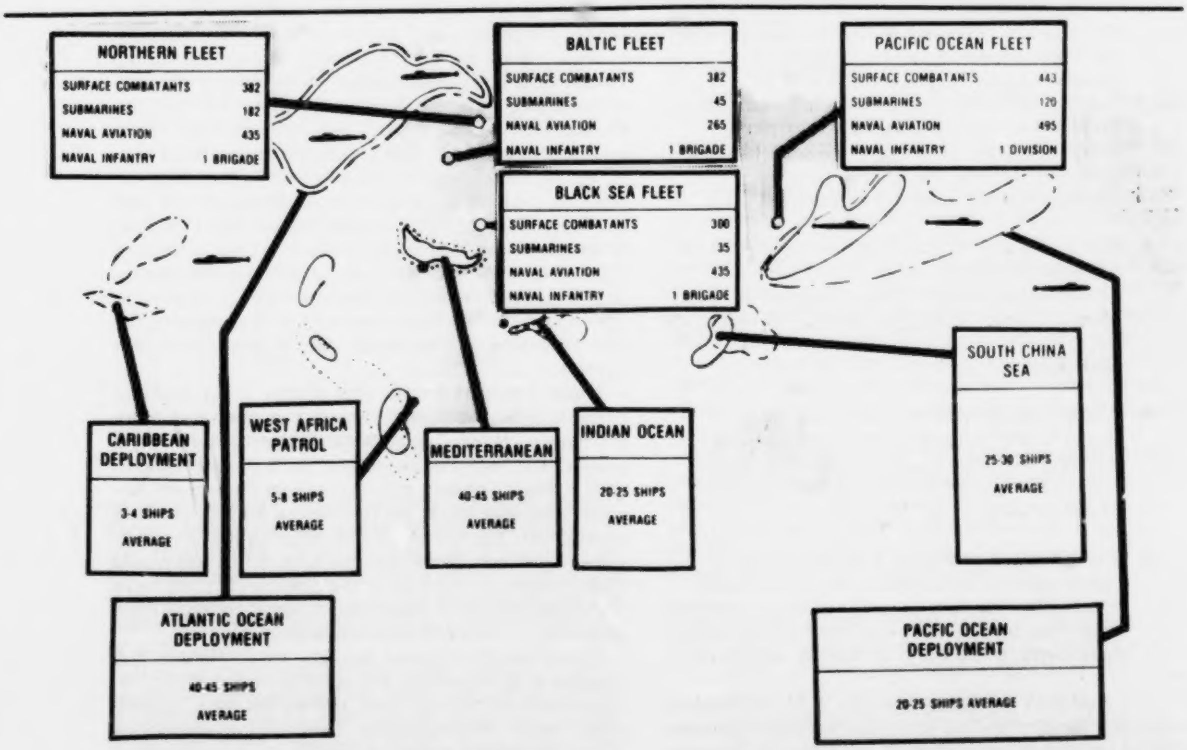
Substantial Soviet naval improvements represent a major change in the strategic environment over the last 10 or 15 years. The Soviet Union, a continental nation, has become a maritime power by choice and design. The United States, linked to our friends, allies, trading partners and other vital interests by vast ocean areas, is a maritime power by necessity. When the predominant land power can contest control of an expanding portion of the world's oceans, an island nation must be concerned. As President Reagan observed early in his administration, a strong navy is not a luxury but a requirement.

Maritime strategy has focused our efforts on a qualitatively different and much improved Soviet challenge. It has helped develop better forces and better concepts of application in order to sustain U.S. national security policy in a changing strategic environment. The strategy has evolved around several underlying principles:

- Maritime strategy is an essential component of national deterrent strategy. Deterrence requires not only visibly capable forces, but also thought and thorough preparation for how a war with the Soviets could begin, and

FIGURE 1

SOVIET NAVY ACTIVE GLOBAL PEACETIME POSTURE
FY 85



NOTE: *Surface combatants include aircraft carriers; principal surface combatants; patrol, mine, and amphibious warfare ships and craft.*

how it would be fought. Deterring the Soviets requires convincing them that any war they start could be a long war fought on terms and in places not of their choosing.

- It addresses warfighting requirements, in particular requirements for defeating Soviet strategy in a protracted conventional war. Recognizing that the unified and specified commanders actually fight wars, it does not purport to be a detailed war plan. Instead, it offers a global perspective to operational commanders and provides a foundation for advice to the National Command Authority.

- It is a global strategy dealing with a diverse global threat and recognizing the complex relationships among operational theaters. It emphasizes that deterrence is a global proposition, that efforts to control and contain local crises may have global implications, that any war with the Soviets would probably become global, and that we should cede no area to the Soviets by default. Global strategy does not imply that we would simultaneously fight in all theaters of operation at the same level of intensity. If war came, we would likely have to assign priorities and conduct sequential operations. But the problem is global, and as a result, our perspective must also be global.

- It is a forward strategy, drawing on forward deployments and rapid mobility of naval forces. If deterrence fails, options are available for early offensive action to destroy enemy maritime forces as far forward as possible, aggressively protect sea lines of communications, support and influence land battles, and secure favorable war termination. It includes seizing the initiative and carrying the fight to the enemy to disrupt his strategy and achieve our objectives.

- It is a strategy of alliances and coalitions. It relies on our allies' major contributions to collective security, draws on agreed alliance strategy, and recognizes the crucial role of naval forces in binding together alliances and coalitions.

- It is a multi-service strategy which emphasizes the necessity of joint operations. Growing numbers of joint exercises, operations and inter-Service agreements reflect this emphasis.

- It is a flexible strategy, providing a set of global options which draw on the range of capabilities inherent in naval forces to control escalation and achieve war termination objectives without resorting to nuclear weapons.

The maritime component of the U.S. deterrent is stronger today than five years ago for many reasons. Naval forces are more modern and capable. They are more ready and sustainable. Our people are more experienced, better trained, and motivated. Finally our deterrent is stronger because of the coherent, well-articulated strategy which I have described.

Violent Peace and Maritime Strategy

While maritime strategy provides a consistent framework in which to assess changing requirements for global war with the Soviet Union, it increasingly must deal with requirements of another major change in the world environment: an era of violent peace. Some 100 years ago, Capt. Alfred Thayer Mahan observed that naval strategy is as necessary in peace as it is in war. This truth has rarely been more evident: today, the Navy confronts issues of diversified violence below the threshold of war and faces a broad spectrum of possible threats.

The major powers are technically at peace, yet violence often dominates the international arena. In recent years we have seen a succession of crises and armed conflicts among nations, insurgencies and civil wars, endemic low-level violence, and countless instances of terrorism. Figure 2 indicates the geographic scope and range of intensity of this violence. Much of this conflict occurs in the developing world, in locations far from our shores, yet important U.S. interests are often involved. Our Navy has been called on more than 200 times since World War II to protect American interests in crises around the world. We operate routinely on forward deployments often determined by potential threats to U.S. interests.

Conflicts have long been a fixture of the world environment, but recent developments increase the significance of these conflicts and create an expanding range of maritime objectives beyond being prepared to counter the Soviets in direct conflict. One factor is the complexity and scope of U.S. worldwide interests, which increasingly focus on the developing world. U.S. and allied economies depend on strategic resources from the developing world: oil from the Persian Gulf and Caribbean, and minerals from Africa and Southeast Asia. Trade with nations of the Pacific region has for several years exceeded that with Europe, and political cooperation in the region is also growing. Manufacturing capabilities are often integrally linked with Third World nations in the emerging "global factory"; for example, an American firm may ship Japanese semiconductors to Taiwan for assembly into circuit boards, which are then returned to the United States for assembly into a Navy weapons system.

These interests create vital stakes in the stability of many areas. In a general context, regional stability promotes trade, economic development, and democratic forms of government. In a more specifically military context, the more stable the regional environment, the lower the probability that the Soviets or any other aggressor will find opportunities or incentives to risk war. Moreover, because major war would most likely arise from some regional conflict, we have a broader interest in preventing regional conflicts from beginning an uncontrolled escalatory process.

Challenges to regional stability are numerous and longstanding: economic and political perturbations, religious and ethnic hostilities, border disputes, aggressive designs for hegemony. These are magnified by increased Soviet ability to exploit them to promote movements and governments aligned with them. In particular, Soviet use of Cuban and other proxy forces

FIGURE 2

REPRESENTATIVE CONFLICTS, 1985

Conflicts and Crises Between States

• Gulf War (Iran-Iraq)
• Indochina Conflict (Vietnam, Kampuchea, Laos, Thailand, China)
• North Africa Crises (Libya-Tunisia and Libya-Egypt)
Southern Africa (South Africa-Angola, South Africa-Lesotho)
• Central American Crises (Nicaragua-Costa Rica, Nicaragua-Honduras)
• Horn of Africa (Ethiopia-Somalia)
• Afghanistan-Pakistan Tensions

Civil Wars and Insurgencies

Afghanistan
Ethiopia
Sudan
Mozambique
Angola
Namibia
Western Sahara
• Lebanon
Chad
• Philippines
Indonesia
Burma
• Nicaragua
• Guatemala
• Colombia
Peru
Bolivia
Uganda

Coups and Attempted Coups

Liberia
Nigeria
• Thailand
Uganda
Sudan

Violent Civil Unrest

• Sri Lanka
India
Chile
South Africa
New Caledonia
Jamaica

Terrorist and Related Incidents

• Lebanon
Malta
• Eastern Mediterranean Sea
France
Italy
Austria
• Libya
Greece
Spain
West Germany
Belgium
Israel
• Iran

• Naval forces present in region on forward deployment or contingency operations.

to aid "liberation" movements and sustain Marxist governments has fundamentally changed conflict in the Third World. These factors, combined with increased Soviet military and naval global reach, make it likely that the Third World will increasingly be the scene of both indirect and direct Soviet encroachment on U.S. interests.

Another trend making the world potentially more hazardous and complicating naval requirements is acquisition of modern, highly capable weapons by states or factions in the developing world. These make Third World conflicts more violent and dangerous and they increase the range and lethality of threats which U.S. naval forces may face. Nearly 50 Third World nations now operate modern anti-ship missile systems, and some 20 possess submarine forces of varying capabilities. While many of these nations are friends or treaty allies, many others are potentially hostile. The military threat in many Third World areas is formidable and highly demanding, particularly when complicated by Soviet intervention or support.

Terrorist threats pose another disturbing trend. Terrorism is not new, but the threat to our interests has increased markedly. Terrorists have international organizations, exploit mass communications and use rapid transportation. Increasingly, they are directly or indirectly sponsored by states which see a cheap but effective way of striking blows at stronger enemies. Terrorism's effects must be kept in perspective, but they clearly add to the challenges of maintaining forward deployed forces and protecting American interests.

Thus, a strategy to deal with violent peace is shaped by interests, objectives and world conditions which are not necessarily parts of a strategy to counter the Soviets in global war. Peacetime interests and objectives are global and diverse, focused not only on the Soviet Union or its periphery but also on the developing world. We face an extraordinary spectrum of threats, ranging from terrorism and low-level violence, through crises and small wars, to a major war. At the lower end, we must employ military forces to achieve political or foreign policy objectives. At the upper end, peacetime strategy merges into global war strategy, and the two must form an integrated whole. I will now discuss our evolving peacetime strategy, which comprises three principal elements: forward presence, crisis response, and training and readiness operations in home waters.

Forward presence.

Global forward posture in peacetime is a key element of national military strategy. Naval forces are particularly crucial in many areas where they are the only feasible form of forward deployment. The impact of forward deployments is enhanced by a qualitatively improved fleet which is not only larger today than five years ago, but brings to bear quantum improvements in capabilities such as *Ticonderoga*-class *Aegis* cruisers and *Ohio*-class *Trident* submarines. Roughly one-third of the operating Navy is deployed on any given day, conducting training and exercises with friendly and allied nations, making port visits, and carrying out a range of other operations. Forward operations signal the global scope of U.S. interests and commitments.

The nature and location of forward deployments result from decisions at many levels: specific alliance commitments, national policies, Navy requirements, and operational decisions by Unified and Navy commanders. In general, however, certain principal considerations form the framework:

- Forward deployments focus on locations where imminent threats to U.S. interests require an on-scene military capability. Requirements for crisis prevention and response define a substantial part of our deployments. For example, the Persian Gulf conflict and the unpredictability of the Iranian government pose a continual threat of violence against allied and friendly interests, particularly unfettered access to vital oil resources. Free world economies can ill afford any effective threat or actual curtailment of petroleum product flow to and from the region. Consequently, Navy surface combatants are constantly on patrol in the Persian Gulf, and a carrier battle group is routinely in or near the North Arabian Sea. In the Near East, U.S. interests and citizens remain at risk from a variety of sources, and U.S. naval presence includes surface combatants in the Eastern Mediterranean and a carrier available on short notice. Increasing seaward claims of some littoral nations, coupled to modern armaments with substantial seaward reach, pose a threat to essential maritime freedom of passage. An example is Libya's excessive territorial claims in the Central Mediterranean, backed by Libya's modern forces, recently escalated by deployment of an upgraded air defense system. The latter includes Soviet- supplied SA-5 surface-to-air missiles which will extend Libya's hostile reach 150 miles into Mediterranean airspace. Here and elsewhere, forward deployed naval forces conduct operations to protect transit rights and unimpeded use of international waters and airspace.

This past year, Navy units also participated in a major drug interdiction campaign, Operation Hat Trick II, a significant addition to existing commitments and normal presence operations which again showed the flexibility of naval forces in support of national objectives.

- Forward deployments are also shaped by the requirements for coalition-building. Alliances, friendships, and regional arrangements can contribute to international stability. All U.S. alliances have a major maritime dimension, and joint exercises, training, and security assistance programs are crucial. This past year, for example, we conducted 86 combined exercises involving some 55 countries, ranging from the 160-ship Exercise Ocean Safari with NATO allies, and an equally large- scale exercise with Pacific friends and allies, RIMPAC; to more modest efforts such as Cobra Gold, an amphibious exercise with Thailand; to small-scale exercises of opportunity with passing units of allied navies in virtually every ocean.

  Many such exercises involve forces forward deployed for other purposes. But a substantial number of units deploy specifically to conduct important exercises. For 26 years, U.S. ships and aircraft have deployed annually to exercise with Western hemisphere navies in the UNITAS series. Every year, a sizeable number of units deploy to the North Atlantic to operate with NATO allies in large-scale exercises. These and similar deployments ensure interoperability and build strong ties essential for deterrence and effective warfighting should deterrence fail.

- Forward deployments include areas where naval forces promote diplomatic, economic, and other objectives of foreign policy not specifically military in character. Port visits have been particularly useful in this context. A sovereign nation permitting a U.S. warship to visit its ports is making a significant political statement, particularly in a time of new nonalignment trends. Within the past two years, Navy surface combatants made port visits to India, the first such visits in 13 years, thus symbolizing the recent evolution of U.S.-Indian relations. Last year, Navy ships visited some 108 countries ranging from Honduras and Guatemala to Denmark and Norway, from India and Sri Lanka to Fiji and Papua New Guinea. Port visits may support foreign policy objectives of promoting moderate and stable governments in unstable areas. They may also gain access to countries where other U.S. forces are excluded, providing crucial opportunities to improve bilateral relations, such as recent visits to Madagascar and the Comoros Islands in the Indian Ocean. Sailors are ambassadors and representatives of the American people in ports around the world, and have freely given their off-duty time and considerable skills to participate in self-help projects with the local populace, assist orphanages and other charitable institutions, and contribute to a variety of other endeavors which exemplify the American spirit of generosity.

- Forward deployments are also shaped by requirements for active and direct deterrence of a major war with the Soviets. Patrols by ballistic missile submarines constitute a fundamental component of the nation's strategic nuclear deterrent. Forward peacetime operations by our own attack submarines, maritime patrol aircraft, and surface ships make clear to the Soviets that should they choose to go to war, there are no maritime sanctuaries for them and their submarine force would be immediately at risk. Through these and other forward operations, we send a clear message to the Soviets that we have the capability and experience to carry out campaigns envisioned in the maritime strategy, and thereby deter global war for which we train.

- Forward deployments are driven to a lesser extent by Navy objectives for training and readiness. Forward deployed operations increase readiness, ensure real-world operational expertise, provide day-to-day preparedness and build our confidence. While Navy training and readiness objectives are clearly subordinate to national objectives, they are nonetheless important to maintaining a ready force.

These, then, are considerations which determine locations and composition of forward deployments for naval forces. Since they often overlap, one deployment may serve several objectives. They also compete. For example, forces deployed to provide direct deterrence of the Soviets tend to operate in the North Atlantic and North Pacific oceans, and may contribute little to crisis prevention in the Third World. Ships deployed to prevent crises may be unable to make diplomatically important port visits. Naval forces are a scarce resource which must be allocated among competing demands. But their inherent flexibility permits selective allocation.

Crisis response.

Crisis response has long been the business of U.S. naval forces and is a central concern of our evolving strategy. Naval forces have been a principal instrument for responding to crises for several reasons:

- Naval forces are readily and rapidly available, largely because of the previously discussed forward posture keyed on likely crisis locations. A credible on-scene capability establishes U.S. commitment and intent to be involved, and forms the basis for a wide range of initial responses. Moreover, this capability is often available without politically sensitive requests for use of friendly nations' airspace or territory.
- Forward-deployed naval forces employed for crisis response are practiced in joint operations with allies and other U.S. military services.
- Naval forces have unique flexibility and mobility. They can operate unobstrusively or quite visibly; apply a range of capabilities against targets at sea, along a littoral, or deep inland; and prevail against a variety of threats. For deterrence or response, naval forces provide precise capabilities at varying levels of hostility. These qualities permit the national leadership to tailor application of force to a particular crisis.

A key consideration in crises is our ability to dominate and control escalation, to ensure that we achieve specific objectives while limiting the scope of possible conflict and terminating military action as soon as possible. This issue is particularly important in crises which might involve the Soviet Union. Given the Soviet Navy's growth in capability and reach, their ability to intervene in crises far from their shores adds a new dimension to the strategic calculus of crisis response. While there have as yet been few direct confrontations between U.S. and Soviet naval forces, the potential increasingly exists, and must be considered in our decisions.

Thus, substantial interaction exists between forward presence and crisis response considerations. Forward presence shapes the range of options in crisis, at least initially, and crisis response sometimes leads to new forward deployments. Threats of an era of violent peace interact with the threat posed by capable Soviet forces. Our ability to respond to crises while controlling the escalation threat requires highly capable forces.

Training and readiness operations.

On any given day, about two-thirds of the operating Navy is neither forward deployed nor responding to crises, but in home waters conducting underway training, or in port for upkeep and inport training. These operations are shaped largely by internal Navy objectives and requirements, but they can contribute to other peacetime strategy objectives and must be an explicit part of our strategy. For example, while it may not be feasible to conduct a multi-carrier battle group exercise in forward areas, such an exercise can more readily be conducted in home waters. A large-scale exercise in home waters plays a powerful role in deterrence, conveying to the Soviets what we could do in forward areas. If such an exercise includes allied participation, it can serve alliance-building objectives as well.

Inport training exercises are increasingly important. Modern training technology permits us to conduct challenging, large-scale battle group exercises among units which are pierside. In Second Fleet homeports, for example, Battle Force Inport Training is scheduled regularly, exercises a full battle force, and is as close to a major fleet exercise as possible without actually getting underway. While such exercises cannot be as realistic as those at sea, they fully exercise command, control, and communications procedures, and support strategy objectives at minimal cost.

Nondeployed units are also the source of surge capability for large-scale crises or conflicts, when forward forces might need immediate augmentation. Demonstrating surge capability is an important component of deterrence and crisis control. During the Grenada rescue operation in 1983, for example, we assembled a surge battle group from inport units, formed around the carrier *America*, as a possible relief for the *Independence* battle group then off Grenada. The *America* battle group was underway on four days' notice, was fully operational three days later, and could have augmented or replaced *Independence* as required. On a more routine basis, we conduct short-notice sorties of fully-loaded attack submarines to demonstrate and practice surge capabilities.

Because resources are limited, it is essential that we obtain maximum strategic benefit from every underway day. There are clearly strategic objectives which we can pursue efficiently through nondeployed operations as well as forward deployments, and we will continue to incorporate home waters operations into overall peacetime strategy.

A Dynamic Strategy

These are the main themes of a maritime strategy designed to be in consonance with the national military strategy and sufficiently robust to permit us to continue to be an effective player across the spectrum of violence we face. It is a dynamic strategy, continually evolving in response to changes; maturing in view of insights gained in wargames, simulations, countless seminars and discussions; and leavened with the reality of fleet experience and exercises. It began as a strategy to address the central question of deterring or fighting a global war against the Soviets. Increasingly, however, it has evolved rapidly to encompass issues of diverse threats to our many interests in this era of violence.

Strategy is not immutable theology, nor is it a one-time fix to a static problem which we can now put behind us. It is a process which includes an ongoing dialogue on strategic issues both within the Navy and without. I consider this report an important part of that dialogue, and have thus addressed strategy at some length. Further I consider the development and maturation of maritime strategy within the Navy a most significant accomplishment in itself. There is virtually no direct dollar cost associated with strategy development and application. In fact, it helps reduce costs since it serves to focus our resources on operations which match agreed strategic force employment concepts. And application of strategy is affecting every aspect of today's Navy: we are, in fact building a Navy to meet maritime strategy requirements.

If you measure us against this strategy, I believe you will find that evidence of our accomplishments is clear. We have a Navy ready today to support a national maritime strategy, and it is getting better each day.

Naval Operations in Support of Strategy

The most telling indicators of the Navy's performance in support of national and maritime strategy have been our operational accomplishments at sea. In 1985, naval forces operated to protect U.S. interests from a variety of threats, build alliances and regional stability, deter war, and support diplomacy. Unlike some previous years, 1985 saw few crises requiring U.S. forces. But when crises affecting U.S. interests did occur, as in the *Achille Lauro* hijacking, naval forces were on station and ready when needed.

A case study in flexibility, mobility, and utility of naval forces in support of national strategy is the deployment of the aircraft carrier *Saratoga* and her battle group. Last August, *Saratoga* left her homeport of Mayport, Fla., to participate in Exercise Ocean Safari 85, a major NATO operation exercising our capability to control the North Atlantic and secure vital sea lines of communication in time of war. It was the largest NATO maritime exercise ever held, involving some 160 ships. The exercise began with a convoy exercise departing Boston harbor, coordinated by the Commander, U.S. Maritime Defense Zone Atlantic, a Coast Guard admiral controlling Navy, Coast Guard, and merchant marine units. This arrangment was established by a recent agreement between the Commandant of the Coast Guard and me, another example of continuing efforts to maximize joint warfighting capability. Exercise Ocean Safari featured a carrier battle force which included three U.S. carriers, a British carrier and the battleship *Iowa*, and demonstrated the ability to conduct forward, multi-carrier, allied operations envisioned in maritime strategy.

The exercise lasted some two weeks, and included operations covering an ocean area from Bermuda to the fjords of Norway. *Saratoga* departed the exercise at its mid-point, entering the Mediterranean Sea on Sept. 7 to participate in Exercise Display Determination 85. This month-long, Mediterranean-wide NATO exercise involved forces from Italy, Turkey, Portugal, France, the United Kingdom, and the Netherlands. U.S. forces included two carrier battle groups (*Saratoga* and *Coral Sea*), and a Marine Amphibious Ready Group.

While this exercise was in progress, the cruise ship *Achille Lauro* was seized by Palestinian terrorists in the Eastern Mediterranean. Units of the Sixth Fleet were on the scene and ready to respond as the act of piracy progressed. At the President's direction, F-14s from *Saratoga* intercepted an airliner carrying the terrorists, and four murderers were shortly in custody. The details of this incident have been widely reported, describing the technical and tactical complexity of an operation which required real-time intelligence gathering and fusion, globe-spanning communications, and picking out a single airliner from among scores of other aircraft. I want only to reemphasize that this was a joint operation, heavily dependent on crucial intelligence from non-Navy sources, without which there would have been no intercept. The Navy simply provided the sharp point for a joint spear, demonstrating again the mobility, availability, and range of capabilities which make naval forces frequent instruments of crisis response.

Saratoga then made a well-deserved port visit to Dubrovnik, Yugoslavia. It was the first carrier visit to Yugoslavia in five years, supporting U.S. foreign policy objectives in the region as well as sustaining crew morale. On Nov. 14, *Saratoga* transited the Suez Canal enroute operations in the Indian Ocean. On Jan. 15, *Saratoga* returned to the Mediterranean in continued support of national requirements.

Saratoga's deployment is typical of naval operations in support of strategy. The Navy is at sea, forward deployed around the world, carrying out the elements of peacetime strategy, and doing many of the same things which maritime strategy would require in war.

Operating Tempo

The requirements for forward presence and crisis response in support of national strategy led to an operating tempo even higher than during the Vietnam War. Optempo peaked in 1984 and declined in 1985. Still, it imposes three principal costs. First, it requires a substantial part of a tight budget. Second, extremely long periods at sea cause higher wear and tear on equipment, degrade material readiness and require additional resources. Finally, we see negative retention indicators caused by family separation.

The problem is amenable to solution because, over the past five years, the number and quality of ships and squadrons have grown significantly. As a result, we have established five firm standards for optempo reduction:

- Each ship and squadron will be in homeport at least 50 percent of the time between overhauls.
- Forward deployments will be no longer than six months.
- Turnaround times between deployments will be no less than twice as long as the deployment itself.
- Average optempo for the two forward deployed fleets will not exceed 50.5 days per quarter, 29 days per quarter for the two nondeployed fleets. These figures provide balance between the requirements to restrain budgetary costs, ensure adequate training, and meet commitments.

- Flying hours for tactical aircraft squadrons will be a notional 25 hours per crew per month. This includes flying during battle group operations as well as training and support flights.

The optempo reduction plan is a major effort to complement retention incentive programs you have approved and attack a principal factor in retention decisions: family separation. In addition to meeting personnel needs, reducing deployed time will provide us an opportunity to conduct types of training in our homeports and home waters that is not possible when deployed, such as training for integrated battle force operations envisioned by maritime strategy. The optempo reduction program is only possible, given our worldwide commitments, because of a larger and qualitatively improved fleet. Moreover, it clearly presumes that no significant additional commitments occur.

THE NAVY TODAY: ACCOMPLISHMENTS IN TOTAL CAPABILITY

The Navy today is more able to support maritime strategy than at any other time in recent memory. Our capability is evident in the operations which I have described. It is equally evident in a fleet materially better prepared to fight and in capable people with a clear sense of purpose and dedication. Substantially improved funding since 1980 has paid huge dividends. Overall military capabilities of our ships and aircraft squadrons have soared over the past four years; personnel retention remains near all-time highs; weapons, sonobuoys, and spare parts stocks are up markedly. With the maritime strategy we can place these statistics in perspective, and assess our progress against strategy-driven requirements.

Let me now illustrate these observations by reviewing briefly some accomplishments of the past few years, describing current trends, and noting ongoing initiatives.

Total Military Capability

Assessing the Navy's total military capability to respond to national requirements is a complex task. Any assessment must consider four basic "pillars" of military capability. First, ships and aircraft must have the full range of inputs — integrated logistic support (ILS) in its broadest sense — to be able to perform the tasks and missions for which they were designed (readiness). Second, Navy must possess the proper number, size and types of units to carry out requirements of strategy (force structure). Third, these units must have up-to-date weapons systems and technical sophistication to match a likely threat (modernization). Fourth, they must have staying power to wage protracted war (sustainability).

The pillars of military capability must be carefully balanced, because deficiencies in any one could create exploitable vulnerabilities. A fully manned and trained flotilla of obsolescent coastal patrol boats is no more capable of countering threats to U.S. interests than a sophisticated battle fleet without ammunition, fuel, or trained personnel. Considered together, the four pillars provide data which show dramatic improvement in our overall operational readiness to carry out warfighting tasks against any potential threat.

Integrated Logistics Support Readiness

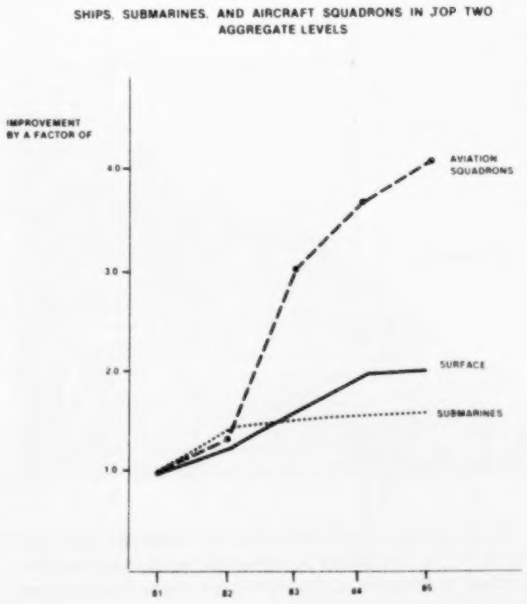
The most complex element of total military capability is the day-to-day ability of ships and squadrons to perform as designed. One way to look at this is to aggregate selected logistic support inputs—personnel, equipment, supply support, and training levels—across mission areas which a ship or unit must perform, such as anti-air warfare or anti-submarine warfare. Based on this aggregate assessment, a unit can be assigned one of four levels ranging from fully ready to not ready. We ensure that as meny ships and squadrons as possible remain at the two highest levels.

These aggregate assessments of readiness in selected logistic support elements provide just one index of the extent of the Navy's return on our 46 percent increase in readiness-related expenditures since 1980. As Figure 3 shows, the number of aircraft squadrons at the highest two levels has tripled, and the number of ships has doubled. This accomplishment is particularly striking when compared to pre-1981 negative trends.

Each sub-component of logistic support readiness has also shown marked improvements, with the personnel element showing the most noticeable growth. Since 1981, we have almost doubled the number of ships manned by crews with the quantity and quality of sailors required to operate the ship to its warfighting limits. Similarly, aviation squadrons in this personnel category increased 16 percent and all submarines

FIGURE 3

IMPROVEMENTS IN LOGISTIC SUPPORT READINESS



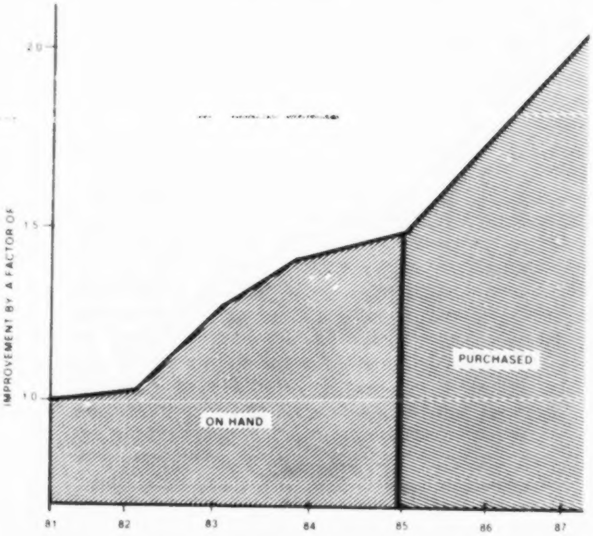
have maintained this level in the last two years. This personnel index gauges not only the number of sailors aboard a ship, but their skills and experience. Obviously, this indicator cannot be "fixed" with one appropriation. It has taken years of successful recruiting, training, and retention to arrive at acceptable personnel levels.

The training element of logistics support readiness measures a ship or squadron's preparations to perform its warfare missions, measured primarily through operational drills and exercises. We have made great strides in developing a Navy training strategy that supports the types of operations we envisage in maritime strategy. Clearly deficient areas, such as reserve training, physical security and anti-terrorist training, and battle group tactical training, were specifically strengthened last fiscal year. Improvement efforts are supported through the Fleet Training Assessment Program, which monitors effectiveness of training programs and targets specific areas requiring reinforcement.

The equipment element of logistics support readiness has improved substantially. In 1981, the average surface combatant had at least one major mission-degrading casualty 58 percent of the time. In 1985, this number decreased to 43 percent with the trend continuing. Improved supply support is an important element of this trend. Spare parts availability has improved dramatically, as Figure 4 illustrates for afloat aviation squadrons. Because of similar improvements fleet-wide, we have reduced the amount of time we wait for repair parts in major casualties by 35 percent since 1981, and improved the initial availability of these parts by almost as much.

FIGURE 4

IMPROVEMENT IN SPARE PARTS AT SEA (AVIATION)



Because our crews are more experienced and better manned, our ability to repair our equipment has improved dramatically. Experienced repair technicians aboard ship can now quickly effect repairs which previously would have required outside assistance. Four years ago, the average carrier deployed with some 60 civilian technicians embarked to repair equipment casualties beyond the capability of Navy technicians. In fiscal year 1987 we will deploy carriers without any civilian technicians embarked for the first time in recent memory.

Sustained and balanced improvements in integrated logistics support readiness funding have produced steady recovery in the fleet's preparedness. Investments in high quality personnel, spare parts, and training over the past few years are reflected in logistics support readiness levels approaching those which we can and must sustain over the long term.

Force Structure

Perhaps the most visible component of the Navy's improving military capability has been the dramatic growth in numbers and capabilities of ships and aircraft. From 479 deployable battle force units in 1980, we have grown to 547 today, and you have approved the remaining ships necessary to reach the 600-ship goal by 1989. We are building a balanced Navy which will be able to control vital sea areas on a global scale, deny the Soviet Union the ability to concentrate its considerable assets in one theater, and meet the extensive commitments of peacetime strategy. The increase in force structure and capability is one of the true success stories of the defense buildup.

Now that a 600-ship Navy is funded, there are questions about whether a large and balanced force structure can be sustained. Let me put this issue in perspective. Real funding for force structure actually peaked in FY 83, reflecting sharp increases needed to correct the neglect of the 1970s. Now that we have corrected force structure shortfalls, we can move into a sustaining phase where, by building about 20 ships each year, we can sustain a 600-ship Navy indefinitely with minimal growth in force structure spending. The principal reason we can sustain this force structure at low cost is that we have largely recovered from past neglect and we have worked hard and effectively to force procurement costs down.

Specifics of our force structure improvements are summarized in Figures 5 and 6.

Navy's successful aircraft carrier building program is ahead of schedule and under budget. Commissioning of USS *Theodore Roosevelt* (CVN 71) is planned for October of this year. *Abraham Lincoln* (CVN 72) and *George Washington* (CVN 73) are presently under construction with delivery in 1989 and 1991 respectively. Last spring, USS *Forrestal* (CV 59) became the second ship to complete the carrier service life extension program (SLEP), which is adding 15 years to the lives of older aircraft carriers. USS *Independence* has commenced SLEP and USS *Kitty Hawk* is scheduled to begin in FY 88.

Last year, the seventh *Ohio*-class *Trident* submarine was delivered and the 13th was authorized and funded. The addition of these ships, combined with the introduction of the *Trident* D-5 missile in 1989, will maintain the survivability and assured retaliatory capability of strategic offensive forces. Fifty-two *Los Angeles*-class attack submarines have been appropriated. The most recent of these ships incorporate many improvements, including vertical launch system for *Tomahawk* missiles, enhanced Arctic capabilities, improved quieting and sophisticated new weapon systems.

FIGURE 5
SHIP FORCE LEVELS
FORCE STRUCTURE AND MODERNIZATION TRENDS

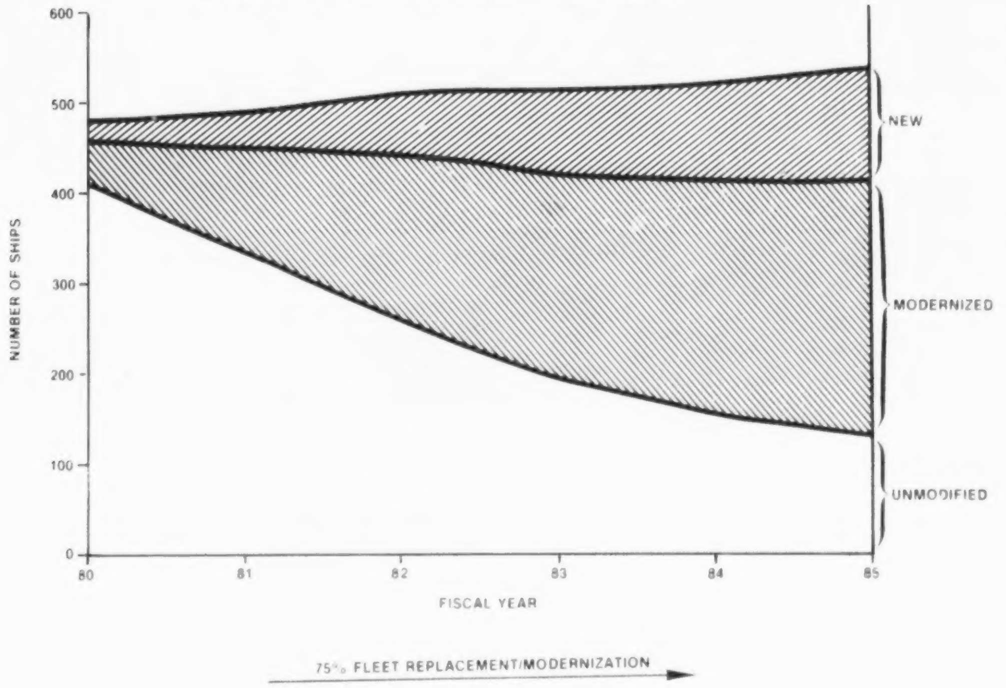
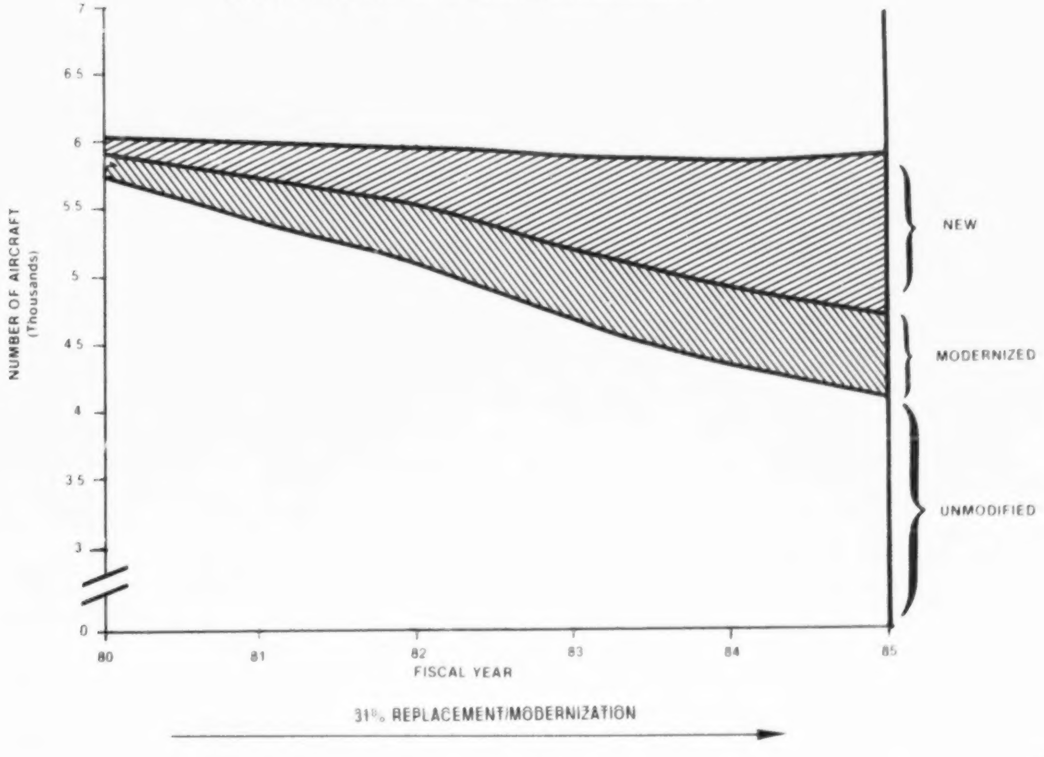


FIGURE 6
AIRCRAFT FORCE LEVELS
FORCE STRUCTURE AND MODERNIZATION TRENDS



The contributions of the battleship *New Jersey* in a globe-spanning deployment have validated the President's decision to bring these powerful ships back into service. Addition of *Tomahawk* and *Harpoon* missiles to the awesome firepower of the 16-inch gun battery make these ships highly cost effective additions to the fleet. Battle groups (BBBGs) centered around these ships will be employed to maximize their deterrent value in peacetime as an incremental response in crisis situations. BBBGs will be employed either independently or integrated with carrier battle forces, dependent upon the level of potential enemy threat, availability of land-based air support, and other factors. In certain situations, battleships may add flexibility to carrier forward deployment schedules while providing an important capability in maritime strategy.

The fourth CG-47 *Ticonderoga*-class guided missile cruiser was commissioned and three more were authorized last year. This brings to 19, of a planned total of 27 ships, the number of these highly sophisticated warships which have been approved. Major upgrades being incorporated into the CG-47 class include the vertical launch system, which will accommodate a greater number and variety of missiles in a reliable and survivable configuration; the SQQ-89 ASW system, which adds new sensors and processors and provides for integration of ASW data; and the SPY-1B radar, which provides the capability to handle an even more demanding AAW environment. The *Aegis* combat system installed in the *Ticonderoga*-class cruiser will counter the full spectrum of foreseeable anti-ship missile threats. Performance of *Aegis* combat systems has been successfully proven under the most rigorous test conditions, and in extended real-world operations. With the addition of *Tomahawk*, the strike warfare capability of these ships will be enhanced.

The lead ship of the DDG-51 *Arleigh Burke* guided missile destroyer class was authorized and funded in fiscal year 1985. It will replace the aging DDG-2 and DDG-37 class ships which will begin to retire by the end of the decade. *Arleigh Burke* will be the most powerful destroyer ever built, with the *Aegis* combat system, vertical launch missiles, *Tomahawk*, and *Harpoon* as well as a 5"/54 gun, the Close-in-Weapon System (CIWS), ASROC and torpedoes.

Amphibious forces have been an important part of the building effort. *Whidbey Island* (LSD 41) class landing ship dock is designed to transport four landing craft air cushion (LCAC) vehicles and will add flexibility to the amphibious assault capability of the Navy-Marine Corps team by permitting high speed attack of hostile shores from over the horizon. Last year, the lead ship of the class was commissioned, and the final two units were funded.

LHD-1 *Wasp*-class is a multi-purpose amphibious assault ship designed as the most versatile amphibious ship ever built. Intended as a replacement for the aging LPH class helicopter assault ships, *Wasp* will significantly increase our lift capability, provide a flight deck for helicopters and vertical/short takeoff (VSTOL) aircraft and a well deck for air cushion and conventional landing craft. The first ship in the class was funded in the fiscal year 1984 budget and will be delivered in 1989. Last year, a second LHD-1 class ship was authorized and funded.

The MCM-1 *Avenger*, funded in the FY 82 budget and being delivered in 1986, is the first mine countermeasures ship to be built for the U.S. Navy since the 1950s. She has a wooden hull and non-magnetic machinery and incorporates latest state-of-the-art navigation, minehunting and mine neutralization equipment. Ships authorized in FY 86 will bring to 11 the total number of units. All of these ships will be assigned to the Naval Reserve.

To complement the *Avenger*, the Navy requires a class of small but sophisticated mine countermeasures ships designed to clear U.S. ports in wartime. The lead ship of the *Cardinal*-class was awarded in 1984 and will be delivered in 1988. This minesweeper/hunter will have an innovative design: a surface effect ship with a glass reinforced plastic hull. These will also be Naval Reserve ships.

Seven TAGOS ocean surveillance ships are in commission, and a total of 16 are funded. Early results from these ships and their towed array sonars have been impressive. We are switching from a conventional monohull design to a small waterplane area twin hull (SWATH) design to give us better capability to operate under adverse weather conditions. The lead SWATH ship was approved last year.

Our program to maintain aircraft inventories with the proper mix and numbers remained on track, with 244 new aircraft delivered in FY 85. The total aircraft inventory has not increased markedly, as Figure 6 shows, but capability of the force has increased dramatically. F/A-18 and F-14A continue to replace older aircraft, and new models of A-6 attack aircraft, E-2 airborne early warning, and P-3 maritime patrol aircraft replace older models. Last year, the F/A-18 was integrated with a second carrier, USS *Coral Sea*. F/A-18 is proving to be the most easily maintainable high performance jet in the world. USS *Midway* is scheduled to deploy with the F/A-18 in 1986.

Capabilities of the battle group will be enhanced by the SH-60F helicopter, designed for inner-zone antisubmarine protection. The contract for this sophisticated ASW platform, to replace the aging SH-3, was signed last year. We will embark on full scale development of V-22 *Osprey* this year with first flight anticipated in early 1988. This new aviation concept marries helicopter versatility with conventional turbo prop speed and range. It will give Navy and Marine Corps capability to perform a wide variety of missions using a common airframe.

Improvements in sealift are even more dramatic. By the end of 1986, all eight SL-7 fast containerships will have been modified to roll-on/roll-off configuration, providing the ability to deploy rapidly an entire heavy division. All three Maritime Prepositioning Ship groups will be deployed, providing for rapid deployment of an entire Marine Amphibious Force. Government controlled sealift has grown 30 percent since 1980 and will double again during this five-year plan.

Modernization

To stay ahead of rapidly improving threats, our fleet modernization program is aimed at providing ships and aircraft already in the inventory with improved warfighting and engineering systems. During the past year, we took specific actions to integrate all modernization efforts, strengthening the Ship's Characteristics Improvement Board and establishing a corresponding Aircraft Characteristics Improvement Board to focus and prioritize our efforts. Our Naval Warfare Directorate plays an increasingly important role, ensuring that modernization programs address priority warfighting requirements. Requirements are based on the maritime strategy and are established from a cross-platform viewpoint that avoids piecemeal solutions to an integrated warfare problem.

During FY 85, we performed 121 major systems upgrades on a wide variety of fleet units. Several attack

submarines were configured to fire the *Tomahawk* missile, even more had sonar systems significantly improved. Other programs qualitatively enhanced the capabilities of our carrier force by providing selected carriers better defense against air and subsurface threats with the Close-In Weapon System (CIWS), MK-36 Decoy Launcher, Target Acquisition System MK-23, and NIXIE Torpedo Decoy system. Surface combatants were provided defensive systems in the form of CIWS and NIXIE, and the offensive capability of *Tomahawk*.

Sustainability

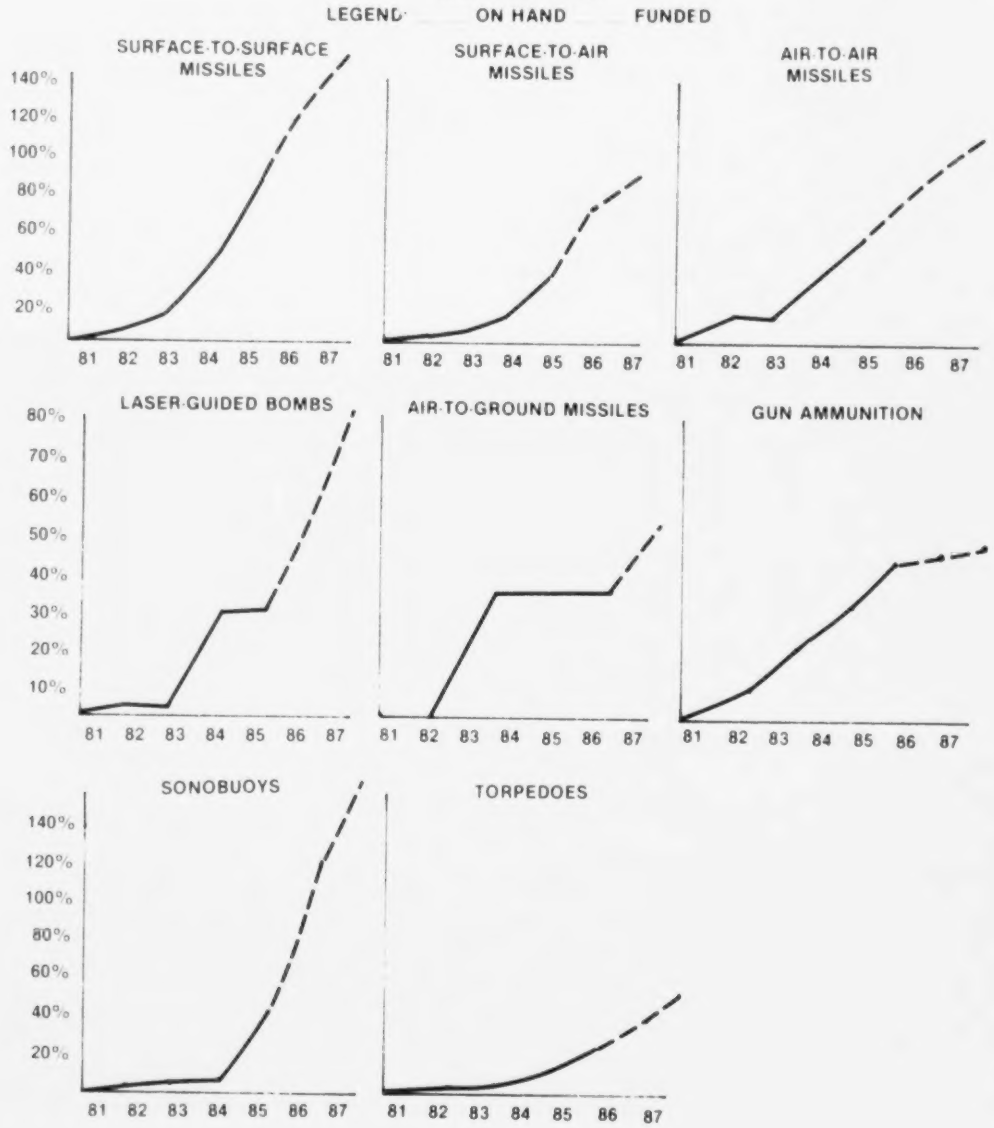
Ability to fight a protracted conflict is central to maritime strategy. Consequently, we constantly analyze the mix and amounts of ordnance required to support our strategy, through wargaming simulations, doctrine reviews, projected combat sortie rates, and other analyses. Although we have not yet reached all goals in the area, sustainability has been and continues to be the fastest growing part of our budget, going from 4 percent of TOA in 1980 to about 10 percent at present. Ordnance funded over the last four years is beginning to deliver in numbers and fill our magazines. Our stocks of sonobuoys, crucial to countering the increasing Soviet submarine force, are also on the upswing. As Figure 7 shows, we have made substantial progress, and ordnance already funded will soon improve the picture even more substantially. In some categories, our weapons stocks have doubled from the low levels of 1980 and will double again by the end of the decade.

FIGURE 7

ORDNANCE SUSTAINABILITY IMPROVEMENT

PERCENT INCREASE IN STOCKS ON HAND

(Base Year: FY 81)



Total Preparedness to Carry Out Navy Missions

The integration of the four pillars defined above comprises our total military capability. For example, it would take a squadron of older cruisers to approach the offensive and defensive capabilities found in one of today's *Aegis* cruisers, so numbers of ships alone do not tell the whole surface ship story. Similarly, no platform on earth has the strategic striking power of an *Ohio*-class *Trident* submarine, and again, numbers of ballistic missile submarines alone do not tell the real strategic story. Rather, it is the synergism of all facets of total military capability that needs to be reviewed when measuring our progress. I believe that this systematic and balanced approach to defense spending has resulted in improved fleet capability and preparedness in every qualitative and quantitative sense.

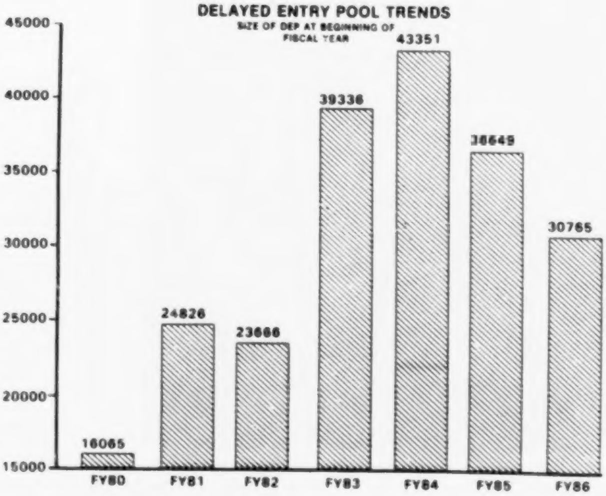
Personnel Accomplishments

The most dramatic recovery of the last five years is the resurgence in spirit and capability of our people. On any given day, there are more than 100,000 sailors, young men and women who are truly dedicated professionals, underway on ships in defense of freedom. People are our greatest success story and the main reason that our Navy has never been in better shape during my 36 years of commissioned service. Personnel accomplishments have been built on twin foundations of successful recruiting and improved retention. While we continue to be successful, some negative trends now cause concern.

Recruiting

September 1985 marked the 70th consecutive month for achieving recruiting goals in all enlisted programs. On the other hand, while we continue to reach our goals, FY 85 was a tough recruiting year and quality declined slightly from the high water mark of FY 84. A primary bellwether of recruiting trends is the Delayed Entry Pool (DEP), the group of recruits who have agreed to enlist at a later date. This pool, composed largely of high-quality high school graduates, provides a recruiting buffer, serves as a management tool to optimize loading of training facilities, and provides sailors who historically have the highest potential for success in the Navy. Annual changes in the DEP therefore have wide-ranging impacts. Since the total contracts written last year were again fewer than accession needs, the Navy was forced to draw from the Delayed Entry Pool to achieve the required quantity. DEP decreased by 5,884 applicants in just one year as shown in Figure 8. This drawdown of the Delayed Entry Pool is not only a significant indicator of an already more difficult recruiting environment, but also foretells potential problems in the quality level of future accessions. The DEP is not simply a pool from which to draw in difficult recruiting months, it is key to our ability to recruit highly qualified young men and women over the long haul and channel them into technical training at the appropriate time.

FIGURE 8

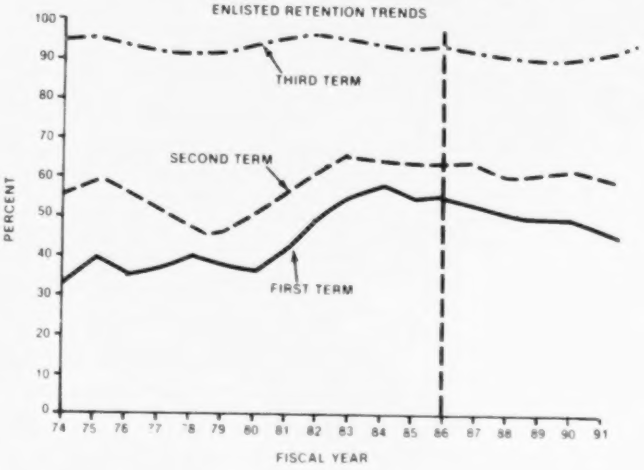


Retention

One of our greatest achievements and continuing challenges has been retaining quality personnel needed to man a 600-ship Navy. As shown in Figure 9, we have continued to do well, although we did not achieve the high retention rates of FY 84. We have significantly reduced undermanned ratings from a high of 62 in FY 82 to the present 28, out of the Navy's total of 102.

FIGURE 9

ENLISTED RETENTION RATES



Selective Reenlistment Bonus (SRB) program has been a key component of our successful retention program. We have been able to provide adequate incentives for critical ratings at a time when employment opportunities outside the Navy are increasing. For these highly technical specialties, it is clearly less expensive to keep trained personnel in the Navy with SRB than to recruit new personnel of comparable quality, provide them extensive technical training, and develop their practical skills on the job. It was gratifying to see a recent GAO report confirm that Navy is managing SRB well. We concur with GAO's observation that SRB could be even more cost-effective if Congress would approve a return to the lump-sum method of payment. The authority granted to pay 75 percent is a step in the right direction.

Officer retention has also shown strong success over the past four years, although we saw disturbing trends in FY 85. Retention decreases for surface, nuclear surface, and pilots are of particular concern. The challenge to retain midgrade officers will be increased in a steadily improving economy.

Manning

The Navy's highest priority is to ensure that its fighting units are fully manned to sustain combat operations for the duration of any likely deployment contingency. About 54 percent of total strength of 581,300 men and women are now assigned to strategic, tactical and mobility forces compared with 48.9 percent in 1979. This sizable improvement in our "tooth to tail" ratio makes us a more formidable fighting force. However, growth in Navy end strength has not kept pace with force structure increases as we build to 600 ships. This has exacerbated a manning problem in fleet support installations and various shore activities, and, unless corrected, raises the prospect of undermanned ships as more are delivered. As our experiences of the late 1970s indicate, undermanning is sure recipe for serious readiness decline.

Quality

The improved quality of our personnel has been evident in many accomplishments including an associated substantial decline of disciplinary problems. First term enlisted attrition in FY 85 decreased to about 11 percent from 25 percent level of the late '70s. We have had the luxury of discharging consistently marginal performers through our Project Upgrade initiative, but improved force quality permitted us to discharge significantly fewer in each year of the program, starting with almost 5,000 in FY 82 and improving to only 441 in FY 85. The desertion rate has also declined. The FY 85 rate of 10.1 per 1,000 is the lowest the Navy has experienced since 1972 and is only a fraction of the FY 77 level when we experienced a high of 31.6 per 1,000. Similarly, the unauthorized absence (UA) rate continued to improve with FY 85 being the sixth consecutive year showing a decline. The FY 85 UA rate of 32.7 per 1,000 was 25 percent better than last year's rate and 60.8 percent better than FY 79.

An aggressive, tough, but fair approach to alcohol and drug abuse has shown concrete results. Since 1980, when surveys indicated 48 percent of our E1-E5 population were using marijuana, there has been a steady and significant decline. Today, we use the most sophisticated testing system available and less than 3.0 percent of urinalysis tests being conducted Navywide are confirmed positive. As we eliminate the drug culture from the Navy, standards for retention are getting higher. Rehabilitation for drug dependency is now being offered only to those petty officers who exhibit exceptional potential. As a result of this new policy, two treatment facilities in San Diego have been combined into one. We are also consolidating Counseling and Assistance Centers (CAACs) and Navy Alcohol and Drug Safety Action Program (NADSAP) facilities where feasible. We have been able to shift the Navy's focus and a half million dollars from drug rehabilitation to drug prevention programs.

Naval Reserve Personnel

Stimulated by horizontal integration of Reserve assets into the Total Force, reserve manpower has steadily increased since 1982. In 1983, the Sea and Air Mariner (SAM) program was developed to access non-prior service reservists into the Selected Reserve to fill E1-E3 mobilization billet requirements. To meet Selected Reserve junior officer requirements, we have created the officer adjunct to this program to access college graduates and provide them basic qualification training. We have also made a good start on efforts to improve the Individual Ready Reserve (IRR).

Quality of Life

Family considerations have a tremendous impact on the retention and readiness of our active duty forces, and meeting family needs is of vital importance in keeping the fleet ready. Recently, a national business magazine carried an article entitled "Ten Terrific Employers." The article noted the best employers not only took care of their people but took special care of their families as well. It came as no surprise to me that one of the "terrific employers" was the United States Navy. Let me provide you a few of the reasons.

A strong Family Support Program includes assistance to members and their families delivered through a network of Family Service Centers (FSCs) first funded in FY 81. Sixty-three are in operation and by the end of FY 87 all of the planned 70 centers will be open. In a recent three-month period FSCs assisted approximately 250,000 people. I am also proud of our child day-care initiatives. Navy centers now provide child care for over 15,000 of our sailors' children daily, and we have undertaken Family Home Day Care initiatives to begin meeting excess demand.

We will build 845 units of military family housing in FY 86. Our long-range construction plan will reduce our buildable deficit of 11,600 units to 4,776 units by FY 91. We have averaged nearly 7,000 spaces of new bachelor housing construction over the last three years. In both programs we are dedicated to providing adequate housing to members and their dependents, with special emphasis on our more junior personnel and those assigned to extremely high cost of living areas.

Congress has suggested that the Department of Defense seek more third-party financing for military housing construction where life cycle cost analyses indicate overall savings. In September 1985 we negotiated the first such arrangement, validated as economical by the Office of Management and Budget. It was submitted for approval to the four Defense MILCON Subcommittees, but was deferred by the HAC with a suggestion that we renegotiate for lower costs. There are indications that even if successful, we will continue to encounter scepticism in the HAC Defense MILCON Subcommittee. I seek support of Congress to continue this program into execution where economically advantageous.

Congressional initiatives to ease the financial burdens on sailors' families during their moves, many to the highest cost areas of our country, have been enthusiastically received. Moves usually cost Navy families significantly more than their moving allowances and are a major disincentive when families consider reenlistment. Expanded allowances have reduced but not eliminated the shortfall. The authority to pay expanded allowances for temporary lodging, increased travel and transportation allowances, and advance payment of housing-related allowances are responsible for ground gained in this area. I ask for your commitment to continue to strive for reimbursement equity of uniformed Navy men and women with their federal civilian counterparts.

The Dental Insurance Program proposed for active duty dependents has received wide support in the fleet. Such a contributory enrollment-type plan is evidence that we care about families' well-being and are prepared to assist in defraying the cost of dental care they require and deserve.

In addition to the family programs I have described, we have undertaken a variety of efforts to improve quality of life in the ships of the fleet. Health care professionals regularly visit all operational units to provide command programs in fitness, stress management, nutrition, smoking cessation and weight control. Shipboard exercise rooms are proliferating as command fitness coordinators implement the Navy's Fitness for Life initiative, created as a positive alternative to drug and alcohol abuse. Only by making an on-going commitment can we continue to attract and keep the quantity and quality of personnel needed.

Total Force Improvements

The Navy's total manpower needs result directly from requirements of the maritime strategy. However, the size and composition of the active Navy are constrained by affordability and attainability limits, requiring intelligent use of our Reserves. We have moved forward aggressively to integrate and maximize Reserve contributions while ensuring that no missions are transferred to the Reserves which either result in a net degradation of readiness, cannot be supported by available Reserve manpower, or are costlier than leaving them with the active forces.

The focus of this process is "horizontal integration." Front-line ships and aircraft now compose a high percentage of the Reserve inventory, including increasing numbers of Reserve *Oliver Hazard Perry* and *Knox*-class frigates. Both Reserve carrier air wings already fly or are programmed to receive fleet compatible state-of-the-art fighter, attack, and surveillance aircraft. Additionally, we have programmed new medium attack A-6E and EA-6B squadrons for Reserve wings so they will be completely modernized in synchronization with delivery of the two newest aircraft carriers. The day-night cycle flight operations by a Reserve air wing aboard USS *Ranger* in January of this year have demonstrated the progress of horizontal integration. The squadron augment unit (SAU) program initiated in 1984 integrated Reserve training into active fleet units and increased total force readiness. SAU air crews not only fly the same aircraft but also perform annual active duty for training with their gaining squadrons. I intend to continue and expand the number of participating Reserve aircrews. One-third of the P-3 *Orion* maritime patrol aircraft squadrons are in the Reserve. These squadrons fly the modern P-3 *Orion* TACNAVMOD aircraft which allows Reserve flight crews to deploy and operate side by side with active squadrons.

The planned transfer of 25 additional active ships and the introduction of 31 new mine warfare ships and 22 craft of opportunity by 1992 is particularly ambitious. Trends in combat readiness for surface units already in the Reserves are gratifying. Four years ago, only one Reserve surface ship in five reported combat ready. Today, three out of four are in that status.

Establishment of Maritime Defense Zones (MDZ) is an important new initiative involving reserve and active units from the Navy and Coast Guard. MDZ commands have responsibility for protecting U.S. harbors and coastal sea lines of communication during major conflicts. Analysis has shown many existing Naval Reserve units, such as Craft of Opportunity, Inshore Undersea Warfare, Mine Countermeasures, and Naval Control of Shipping units are able to contribute to this coordinated effort. In addition, in the event of mobilization, Naval Reserve coastal defense units will augment Coast Guard headquarters and sector command staffs.

Accomplishments in total force management are crucial to carrying out the maritime strategy. We have developed a system that ensures that we can wisely incorporate a growing Reserve into the total force. However, there are limits on our reliance on the Naval Reserve which relate to availability during periods of crisis. The President's 100,000 call-up authority is insufficient to provide Navy the requisite augmentation, in both size and type, during a period short of war. Because of this, reserve integration becomes more difficult and must be approached with caution to ensure readiness to meet reasonably foreseeable requirements is maintained.

SUSTAINING ACCOMPLISHMENTS: NAVY INITIATIVES

Responsible stewardship of taxpayers' money is essential to maintaining the trust and confidence of the American people. It is truly ironic that while the public has been treated to a succession of procurement "horror stories" that total less than "$1 million" over two years, the Navy has undertaken ambitious initiatives which have returned to the Congress, for their reallocation, billions of dollars. Navy has a solid track record of keeping the public trust, and a record of innovation in using funds more efficiently. We are proud of leading the assault against the old ways of doing business and are committed to future improvements. We should be allowed freedom to optimize the process that results in over 3 million contracting actions annually.

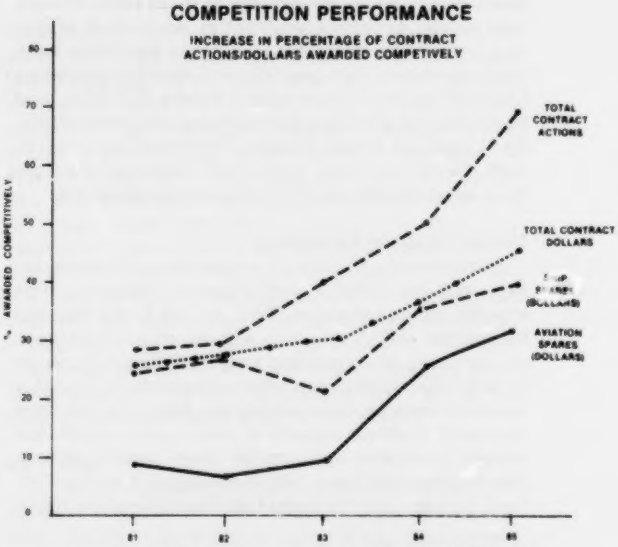
Navy Acquisition Management

Competition and Cost Trends

An ongoing success story is our progress in using procurement competition to advantage. The Navy's turnaround in competition performance since 1982 is graphically portrayed in Figure 10. For FY 85, we awarded 45 percent of all contract dollars and 69 percent of all contract actions competitively. In dollar terms, this meant we awarded $20.2 billion competitively, an increase of $5.7 billion over FY 84 and almost $11 billion over FY 82. In the shipbuilding and repair industry, the percentage of dollars awarded competitively has increased from 15.7 percent in 1980 to 84.3 percent in 1985. The establishment of the flag-officer position of Competition Advocate General of the Navy, long before such positions were required by public law, has proved to be a wise decision and an important part of success in competition.

FIGURE 10

COMPETITION PERFORMANCE



Results of the project to Buy Our Spares Smart (BOSS) are heartening. After two years in operation, the program has screened 225,658 spare parts, breaking out 30,347 of them from the original equipment manufacturer for full competition or direct buys and contributing to a total cost avoidance of $347.5 million. In addition, the "Price Fighter" initiative has reviewed over 3,600 items with cost savings of $2 million through a systematic determination of fair cost.

In spare parts procurement we had our greatest competitive success, more than tripling the level of only two years ago.

Savings achieved through shipbuilding competition FY 83 through FY 85 exceeded $2.5 billion. $248 million was saved in the *Los Angeles*-class nuclear attack submarine program and $840 million in the *Ticonderoga*-class cruiser program. Savings in the shipbuilding and conversion account have allowed us to accelerate several programs without having to use additional funds; for example, reactivation of the battleship *Missouri* was paid for with funds saved in other programs.

Particularly in aircraft procurement, other initiatives also have reduced costs. Specification changes to existing contracts are approved only if they affect safety. This approach has reduced changes by about 95 percent. We buy what is essential for combat capability without contract changes and gold-plating. Introduction of fixed price contracts as the norm has also helped reduce the price for high performance aircraft. Results of these efforts are reflected in aircraft cost trends shown in Figure 11. These reductions should be considered with the knowledge that aircraft prices had gone up approximately 10 percent per year above inflation for almost 30 years.

Manpower, personnel and training costs account for more than one-third of the total life cycle costs of weapons systems. Opportunities to reduce life cycle costs occur early in system development. We have developed the capability to make hardware- manpower tradeoffs and to identify requirements at the earliest stages of system development, through the Navy HARDMAN Program. Commencing this fiscal year, the rigors of HARDMAN analyses will be applied to all new starts in all acquisition categories.

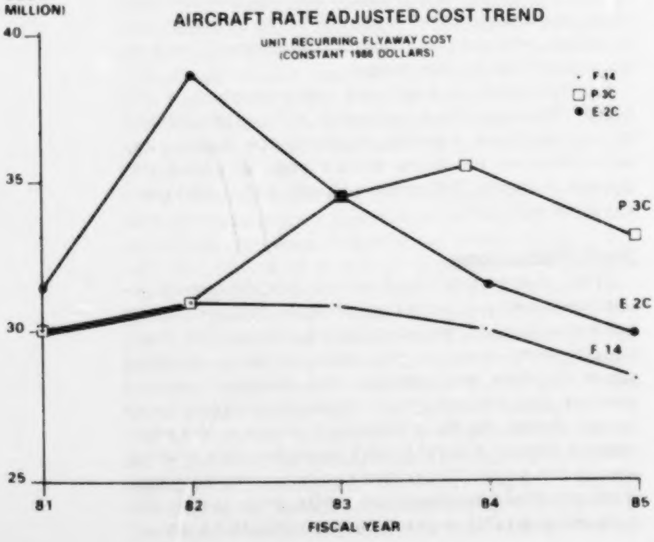
Materiel Professional Program

Procurement initiatives must be implemented by highly trained, competent people. In 1985 we instituted the Materiel Professional (MP) program, a new officer career path. The Navy "blue suiter" is absolutely essential to successful materiel management, providing continuity and an operational perspective.

FIGURE 11

AIRCRAFT RATE ADJUSTED COST TREND

UNIT RECURRING FLYAWAY COST
(CONSTANT 1986 DOLLARS)



The MP career path is designed to develop the same level of professionalism in materiel management that we have in warfighting. This community now includes one admiral (the VCNO), five vice admirals, and 49 rear admirals, as well as some 780 captains and over 70 senior commanders directly responsible for the management of the materiel processes. We are selecting quality officers, with training and experience to get the job done right.

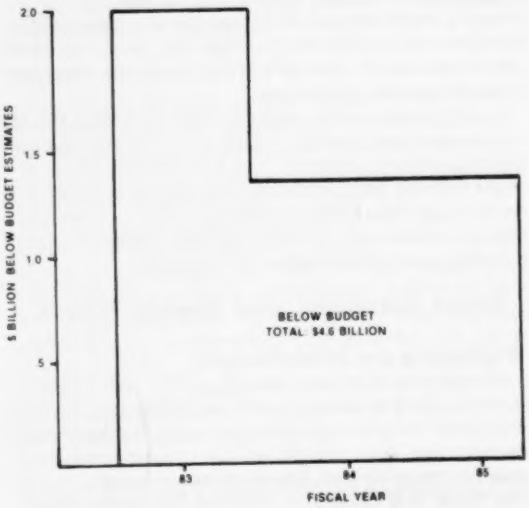
Procurement Trends

Through a combination of improved management, competition, and lower than expected inflation, we are building a 600-ship Navy at much lower cost than originally expected, as Figure 12 shows graphically. When you hear stories about $400 claw hammers — which, by the way, we discovered and never paid for — I ask that you keep such stories in perspective.

FIGURE 12

COST REDUCTION IN BUILDING 600-SHIP NAVY

FY 83-85 PROGRAMS



I want to caution, however, that the difference between estimated and actual costs is being driven to a minimum. Our current budget requests fully reflect the expected results of management initiatives, competition, a buyer's market and lower inflation indices, and are thus unlikely to continue the magnitude of cost savings experienced in previous years. If Congress continues reducing prior-year programs, as was done in the FY 86 continuing resolution, or acts on the expectation that additional unobligated funds will be generated in the FY 87 program, there is a risk that we could have insufficient funds to execute authorized programs.

Joint Procurement Initiatives

Initiatives designed to save money are also evident in the joint arena. Recognizing that weapon commonality is possible in many cases, we have developed a proven track record in joint procurement of ordnance. For example, the Navy and Air Force have coordinated development and procurement of a wide range of missiles including the *Tomahawk*, *Harm*, *Sparrow*, and *Sidewinder*. Economies of scale resulting from this cooperation have resulted in major cost savings.

The Joint Requirements and Management Board was created in 1984 within the Office of the Joint Chiefs of Staff. It consists of the vice chiefs of services whose task is to increase and improve joint development of weapons systems. It had significant accomplishments in its first year of operation. In the area of remotely piloted vehicles and tactical cruise missiles, 17 service programs have been consolidated into seven joint programs which will save $4 billion in acquisition costs.

In similar fashion, the Joint Logistics Commanders (JLC) has streamlined operation as a forum for subjects of mutual interest and exchanging information among the service acquisition communities. An example of JLC sponsored mutual support and joint efforts are savings which are expected in the tri-service H-60 helicopter program, totalling $111.5 million.

The recent creation of the Joint Assessment and Initative Office will ensure that this momentum is not lost. This office will evaluate initiatives, some identified by our unified commanders, which require joint programmatic support. Navy has joined the other services in a memorandum of agreement on cross-service participation in program development, enabling each service to identify the other's key programs essential to joint combat operations.

I am pleased with today's spirit of inter-service cooperation and would classify it as the Pentagon's leading growth industry. The memoranda of agreement that the service chiefs have signed address the hard issues of warfighting responsibilities. I am confident that we can continue to work together in the dynamic process of resource allocation.

Other Initiatives and Special Issues

Wargaming the Navy Program

Wargaming is an increasingly useful tool not only for evaluating strategy, but for providing insights into acquisition programs as well. Last year, for the second consecutive year, we tested our programmed force against the projected Soviet threat in a wargame at the Naval War College. The game produced a number of insights, this budget incorporates the results. We will continue to expand this effort.

Anti-Submarine Warfare

Of all Soviet Navy developments over this past decade, the improvements in their submarine force have been the most striking. Consequently, I directed a far-ranging reassessment of the ASW component of maritime strategy, and of the resulting research, development, and acquisition programs. As a result of this effort, we have a sound ASW strategy, and a range of R&D initiatives to support it. From these initiatives, we will develop the technologies necessary to ensure continued ASW superiority.

Space

Navy is the largest tactical user of space-based systems, using on a daily basis more than 85 percent of all satellite capacity provided to the armed services. There is growing recognition that space is a critical element of our combined arms approach to naval warfare. This past year, the Navy established a Space and Naval Warfare Systems Command to provide space systems development, acquisition, and integration focus. Within my own staff, I have broadened the charter of the Office of the Director, Command and Control and given him the responsibility for all space-related issues. Naval Space Command is fully operational and, as a component commander to the new Unified Space Command, is working to make the most of unique capabilities space can provide the military. We are forming a Space Technology Center at the Naval Research Laboratory to harness the expertise resident in the naval laboratory system for maximum support of the naval space program.

Improved Maintenance Techniques

Navy is finding new ways to achieve cost-effective maintenance and repair programs. Because our preventive maintenance is improving, for all the positive support and personnel reasons I mentioned previously, our repair requirements are abating. We are also finding ways to save on major overhaul and repair contracts. A phased- maintenance program aboard several of our classes of ships ensures that primary engineering and combat systems will be maintained and modernized continually during the ship's life, thereby reducing the requirement for periodic major overhauls. The previous four- to five-year overhaul cycle has been lengthened to as much as 10 to 12 years for some ships, saving money and increasing readiness. Reliability centered maintenance procedures which focus repair efforts on equipment most in need of work have become the fleet maintenance strategy. Our drive to eliminate unnecessary work has led to an overhaul philosophy of "if it ain't broke, don't fix it." This zero-based approach to major equipment overhauls has saved time and money and actually improved material readiness.

Reducing Administrative Burdens

Management initiatives can save time, effort, and paperwork as well as money. Left unchecked, paperwork grows until it becomes a detriment to readiness. We have initiated an assault in this problem and already have reduced the demands for reports from our operational units by 50 percent. Over 600 reports have been cancelled, and I intend to see this number grow. Our directives place a moratorium on new reports and require that there will be no future growth in reports without corresponding reduction. There are no exceptions to this policy.

Fundamental to improved administration is the SNAP (Shipboard Non-tactical ADP Program) system to manage better logistics, maintenance, supply, and administrative functions aboard ship. We have this system in nearly 300 ships and will install 100 more systems in FY 87.

Staff Reductions

There is a tendency for bureaucracies to grow if unchecked, and we were beginning to experience the adverse effects of redundant bureaucracies. Too many people were working the same problem, creating paper logjams and slowing the decision making process. Our solution was to meet this problem head-on and abolish the Naval Material Command. We eliminated a total of 450 NAVMAT positions, plus another across-the-board 10 percent cut in all remaining systems command headquarters staffs, after conducting an extensive billet review to ensure that all necessary tasks could still be accomplished. Growing headquarters staffs and bureaucracies do not enhance combat readiness and Navy is proud to repeal the "iron law" of bureaucratic bloat.

Supply Management Improvements

We have initiated actions to identify and correct supply system procurement, physical security, and inventory management problems. Our introspective look at supply policy and procedures has reinforced numerous actions to improve fleet supply support. Over 252 management actions were ordered to correct the problems we found and over half have already been completed. These actions cover several areas including emphasis on personal accountability, regulatory integrity, improved inventory management of ADP systems, tightened physical security, and a code of ethics for material and financial managers. Remaining actions are being monitored closely and will support our goal of balancing high readiness with increased accountability.

Security

Navy has been shaken by revelations of espionage which spanned a number of years and involved a number of people. Damage done by these espionage activities is still under review, but a preliminary assessment is that Navy and other defense elements have suffered severe compromises in some areas. The damage is, however, reversible. Many compromises of communications and submarine-related operations data were perishable (time-sensitive) information. We believe we are no longer vulnerable in these areas. The damage assessment regarding other systems and tactics is continuing.

We have initiated new controls and programs to repair the damage and to assure future espionage will be difficult to commit and easier to detect. Stricter controls for handling cryptographic material have been instituted. There has been a significant reduction in the number and level of security clearances. A program is underway to conduct screening polygraph examinations of a specified number of Navy personnel who have access to very sensitive information. We have expanded our counterintelligence briefing program and technical surveillance countermeasures equipment is being upgraded. Procedures for granting security clearances are also being upgraded and centralized. Finally, we have formalized a process to alter operational procedures at sea where necessary to reduce Soviet confidence that they can now predict our weapon system employment concepts because of the Walker case.

We need the support of the Congress to provide additional measures to guard against and deter future espionage activities. The offense of espionage, committed during time of war or in peacetime, irrespective of the motive, should be punishable by the death penalty. Amendment of the Uniform Code of Military Justice (UCMJ) to authorize the death penalty for those under military jurisdiction and convicted of espionage was a positive first step. But Title 18 must be amended to increase the range of sentences for conviction of espionage for those not prosecuted under the UCMJ. We should reduce the number of hostile intelligence collectors in the United States. Legislation should be passed to control Soviet/Warsaw Pact and aligned diplomatic, consular and trade personnel in the U.S., both in number and in their ability to move about, especially in national security sensitive areas. Legislation should apply to nationals of those countries employed by the U.N. Secretariat.

While much needed authority for federal investigators to have access to state and local criminal records has been granted, in view of the motivation exhibited in recent cases, access to financial records is also required. A program is needed to reward those who provide information leading to the arrest and conviction of individuals involved in espionage, to seize the fruits of espionage crime and to prevent those convicted from profiting by publication about their illegal activities. Finally, consistent with the need for counterintelligence polygraph examinations of armed forces members and DOD civilians, use of such examinations for defense contractors should not be unduly constrained. Debriefings have shown that the polygraph *potential* is a primary deterrent against espionage.

Espionage activities have had a significant impact on our Navy, and we have felt an obligation to be in the forefront of improved security policies, procedures, awareness, and technologies. We will continue to emphasize the professional element of accountability in naval leadership.

FOIA

Recent interpretation of the Freedom of Information Act raises potentially serious problems. Before 1985, DOD exempted under FOIA technical materials which, although set forth on paper "records," are actually commercially valuable property. Early in 1985, as a result of a court decision, Department of Justice (DOJ) determined that exemption of these items was improper. Navy is now responding to FOIA requests for 100,000 P-3 aircraft engineering drawings and 39,000 drawings for Pratt and Whitney engines, representing the beginning of a potential deluge of similar requests. We do not believe that Congress intended FOIA to release commercially valuable and competitively sensitive information and request that the Congress clarify its intention.

SUSTAINING ACCOMPLISHMENTS: THE FY 87 NAVY BUDGET

As you have reviewed this report's graphs and statistics which show improvements, I hope you have also considered ramifications for national security had the downward trends of the 1970s been allowed to continue. Regaining our strength has been difficult and expensive. Now that we have largely recovered, we have an opportunity to sustain recent accomplishments at modest cost, and avoid the necessity for another expensive recovery program in the future which will otherwise be heaped upon our successors.

Navy's FY 87 budget requests a Total Obligational Authority (TOA) of $94 billion. We have been successful in increasing competition in procurement, decreasing unit costs, and learning to be more efficient in many areas. While these initiatives help reduce the magnitude of cost growth, they cannot eliminate it altogether. I recognize that we are at a time of hard decisions about the nation's budget deficit. But I ask that you look closely at requirements which derive from national and maritime strategy—not only wartime requirements, but extensive peace time operations in support of this nation's interests, and the resultant demands on the Navy to respond to crises an average of six times per year. I believe you will conclude that this nation needs the 600-ship, modern, and balanced fleet, with high levels of readiness and sustainability, manned by high quality people.

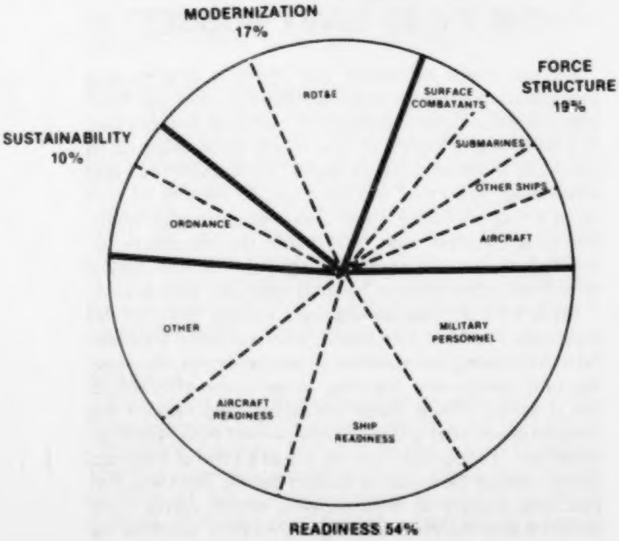
The Navy budget is sound because it is focused, disciplined, and shaped within a single frame of reference: the maritime strategy. In Navy program planning, maritime strategy provides the point of departure for a series of subsidiary strategies, master plans, and appraisals which identify and prioritize requirements. These appraisals involve analyses of strategy-derived warfighting requirements, looking at threat and requirements now and for the next several years. This process results in a thorough annual assessment of what Navy can and cannot do in support of strategy, where changes to programs are necessary, where new programs are required and which programs should be cut.

Navy's budget is not exclusively a Washington exercise, devoid of any connection with the operational Navy. The fleet commanders-in-chief have an increasingly powerful and institutionalized role in the Navy budget, just as unified commanders have an increasingly important role in the Defense budget. For example, because the CINCs' unanimous top priority has been improving ordnance stocks, sustainability has been the fastest growing sector of our budget, having increased by 135 percent since 1980 — almost three times the overall TOA growth rate. The budget balances the longer-term perspective of the Navy headquarters staff with the CINCs' nearer-term focus and sense of urgency. This ensures a budget properly balanced among the four previously-discussed pillars of total military capability: integrated logistics support readiness, sustainability, modernization, and force structure. Figure 13 shows the current balance.

ILS Readiness

ILS readiness funding includes personnel, spare parts and other support items, fuel for ships and aircraft, training costs, and other items required to support the day-to-day ability of ships and squadrons to perform their designed tasks and missions. This pillar accounts for over half of Navy TOA, belying suggestions that this component of total capability has been sacrificed for force structure.

FIGURE 13
FY-87 NAVY BUDGET BY PILLAR



Approximately one-third of this request is for military personnel. This is the most critical part of our entire budget given the extraordinary impact of personnel readiness on total Navy operational readiness. This year, I am particularly concerned with adequate funding to recruit required numbers and quality of personnel, to retain critically needed personnel, and to provide modest end-strength growth for the growing fleet that the maritime strategy requires. In this fiscally constrained environment, the Navy budget reflects a firm belief that personnel programs remain our highest priority and the foundation of the Navy's continued success.

We have continued to meet recruiting goals by drawing down the Delayed Entry Pool. Recruiting trends are down and long-term indicators are disturbing. Since 1981, the primary population of young men from which we most heavily recruit has declined by 5.4 percent and will decline by another 17.9 percent before it bottoms out in 1996. Therefore, we must recruit a higher percentage of the population. But recent surveys show that this group's positive propensity to join the Navy is declining as shown in Figure 14. Many of the causes of this decline are not within our control, but at least two are: advertising programs and recruiting manpower. To continue to meet recruiting goals we must ensure adequate resources for these two key areas.

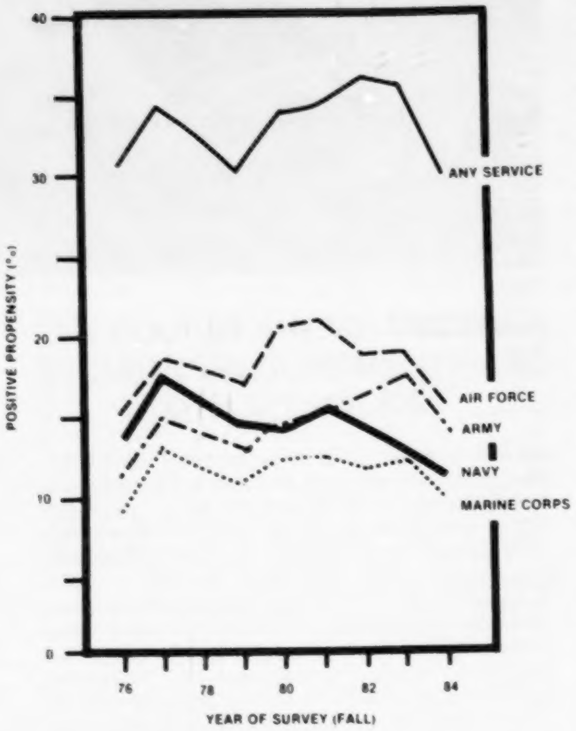
Retention in general has been excellent, but in critical areas, problems are emerging. Loss of mid-grade, experienced aviators is one of these. This shortage is now in excess of 1,100 pilots, with resignations continuing at about 500 annually. This could continue through 1990 as airlines continue to expand and replace retiring pilots. Compounding the problem is a relatively healthy economy which affords other employment opportunities as well. Thus far we have been able to manage this shortage through carefully managed distribution policies, but not without adverse impact on personal and career needs of individual aviators.

Increased compensation, such as Aviation Officer Continuation Pay (AOCP), is a tool we can use to improve aviation retention. The AOCP acceptance rate, however, has steadily decreased. Value of AOCP has been eroded by inflation, concomitant Aviation Career Incentive Pay (ACIP) reduction, and Hazardous Duty Incentive Pay (HDIP) restrictions while under contract. Legislative changes and improvements to AOCP are required to restore its effectiveness. AOCP remains the critical compensation initiative the Navy needs to preclude a return to the high pilot losses of the late 1970s.

We also have a shortage of experienced nuclear-qualified officers in grades of lieutenant commander through captain. These officers are required for service at sea in nuclear-powered ships and in shore billets directly supporting fleet readiness and nuclear propulsion plant safety. Enhancements to Nuclear Officer Incentive Pay (NOIP) contained in the FY 86 defense authorization will help reduce this shortage substan-

FIGURE 14

POSITIVE PROPENSITY TO SERVE ON ACTIVE DUTY FOR YOUNG MALES (16-21 YEARS OLD)



tially over the next five years, but close monitoring is required. A continuation of authority to temporarily "spot" promote officers to lieutenant commander (LCDR) is requested as we are still forced to place high quality lieutenants in LCDR engineering billets because of our shortages.

Unique demands of sea duty increase our permanent change of station (PCS) requirements. It is simply not feasible to have the number and diversity of shore duty billets in each homeport which would permit most sailors to rotate from sea to shore duty and back without PCS moves. Consequently, our ability to reduce PCS is limited by the need for equitable sea-shore rotation. Your support for funding to execute a balanced PCS program which will support reasonable sea tour lengths, provide reenlistment incentives, correct manning imbalances, and allow necessary training will go a long way toward improving quality of life and, as a result, Navy readiness.

Enlisted TAR personnel serve tours of sea duty side-by-side with USN counterparts on Reserve ships, yet they are not eligible for the same retention incentives. We have requested authority to pay a Selective Reenlistment Bonus (SRB) to a limited number of TAR personel in critical ratings to enable us to man the active duty portion of an expanding number of ships in the Naval Reserve Force (NRF). We are also requesting authority for a modest Unit Incentive Pay for Selected Reserve crew members of our Naval Reserve Force ships. Compensation initiatives such as these are critical to our ability to continue the growth of Reserve strength to programmed levels and to man the modern warships we are placing in the NRF.

We have an urgent need for a relatively small increase in manpower to support the growing fleet. You have funded the ships and aircraft for a 600-ship Navy by 1989. Personnel growth has not kept pace. The Navy's manning needs are unique because of necessary sea-shore rotation demands; on an aggregate basis in the force structure, every two billets added at sea require one billet added ashore to ensure equitable rotation and prevent unduly long sea tours. To maintain adequate manning of ships and aircraft squadrons in a growing fleet despite end strength limitations, we have inadequately manned fleet support and shore activities. This will affect readiness in the long term. It has already led to longer sea tours for critical, sea-intensive ratings. We continue to seek ways to cope with inadequate end strength, such as civilianization of some shore billets for ratings which are not sea-intensive, but we have cut shore manning as much as it can be cut. If the trend established by FY 82 through FY 86 end strength constraints continues, the Navy will be some 18,000 people below manning requirements in 1991. We are requesting an active manpower increase of 2.0 percent for FY 87.

Sustainability

Sustainability comprises funding for the Navy's staying power in conflict, principally ordnance and war reserve material. Because our strategy explicitly considers protracted conventional conflict, and because ordnance stocks for protracted conflict have consistently been at the top of unified CINCs priority lists, Navy's sustainability account has more than doubled its share of the budget, from 4 percent in 1980 to almost 10 percent today. Real growth in sustainability since 1980 has been 135 percent, almost three times the overall TOA growth rate. Results are now being seen in the substantial numbers of weapons and sonobuoys, appropriated in previous years, now being delivered. Our current request continues this urgently needed recovery.

Modernization

Modernization comprises funding to improve the technological sophistication and capability of current forces and to ensure we develop technologies to meet future needs. It includes all Navy Research, Development, Test and Evaluation (RDT&E), ship modernization, aircraft, sensor and weapon system alterations, and represents some 17 percent of the Navy budget. Modernization has been second only to sustainability in the rate of real growth since 1980, growing by some 80 percent.

Emphasis on modernization reflects the growing capabilities of the threats we must face, both Soviet and non-Soviet. The Soviet Union has a decided numerical advantage in forces. U.S. policy has been to counter by technological superiority and qualitative edge. We are now seeing a strong commitment to qualitative improvement in newer Soviet forces. New Soviet ships, aircraft, and submarines are technologically sophisticated and highly capable, due in large measure to the hemorrhage of Western technology. Non-Soviet threats, such as Libya and North Korea, have also shown steady qualitative equipment improvements.

RDT&E accounts for well over half the modernization request. Our vigorous RDT&E covers a full spectrum ranging from basic research and exploratory development of new ideas, through developmental and engineering progams to testing and evaluation of systems ready for fleet introduction. Major programs include continued emphasis on modernizing our sea-based strategic deterrent, particularly development of the *Trident* II/D-5 submarine-launched ballistic missile, toward a 1989 initial operational capability; continued development and testing of the V-22 *Osprey* (formerly JVX) vertical/short takeoff and landing aircraft, toward a planned first buy in FY 89; *Aegis* weapon system improvements for upgrades of *Ticonderoga*-class cruisers and for introduction of the DDG-51 *Arleigh Burke*-class guided missile destroyer, with the lead ship to be delivered in 1989; as well as a major upgrade for the A-6 *Intruder* medium attack aircraft.

Battle force ships and aircraft will receive upgraded command, control and communication (C3) systems essential to integrate the fighting fleet and provide real-time coordination. Because of the complexity of C3 and the necessity to avoid piecemeal solutions, we have consolidated resources and top-level engineering management of core battle force C3 systems under the Battle Force Information Program.

A particularly critical program is the R&D effort supporting anti-submarine warfare (ASW), particularly the development of a new attack submarine, the *Seawolf* class (SSN-21). This submarine will represent a quantum improvement over our outstanding *Los Angeles* class. R&D programs now underway will provide the SSN-21 with improved quieting and new sensors, a more effective and integrated combat system, greater firepower, and improved arctic warfare capability. I am confident that the SSN-21 will again put us a decade ahead of comparable Soviet submarines.

Research in oceanography is of special interest to the Navy. Recognizing that we must better understand the oceans in order to exploit them for strategic and tactical advantage, the Secretary of the Navy and I implemented a number of initiatives. These initiatives range from expanding the Navy oceanographer officer community, to modernizing our oceanographic ships and acquiring remote (space-based) sensing capabilities, and reflect our commitment to keep the Navy a principal force in oceanography.

Force Structure

Force structure funding includes appropriations for construction, conversion, and reactivation of ships, and for procurement of aircraft. Numbers and capabilities of our ships and aircraft are the most visible and tangible indication of naval power and total capability. Force structure is the most visible budget component, although it accounts for only about 20 percent of TOA. This year's request represents the minimum necessary to sustain into the 1990s and beyond the balanced 600-ship force which we will achieve in 1989.

Funding for submarines, surface combatants, amphibious and other ships accounts for almost three-quarters of the force structure request. Figure 15, the Navy Shipbuilding Plan, shows what that funding buys. We are requesting a 14th *Ohio*-class ballistic missile submarine, and four more *Los Angeles*-class submarines to meet our goal of 100 attack submarines. The request also includes five *Aegis*-equipped surface combatants, two *Ticonderoga*-class cruisers and three *Arleigh Burke*-class destroyers. We are requesting funds for the lead ship of the AOE-6 fast combat support ship class.

FIGURE 15

NAVY FIVE-YEAR SHIP CONSTRUCTION/CONVERSION PLAN

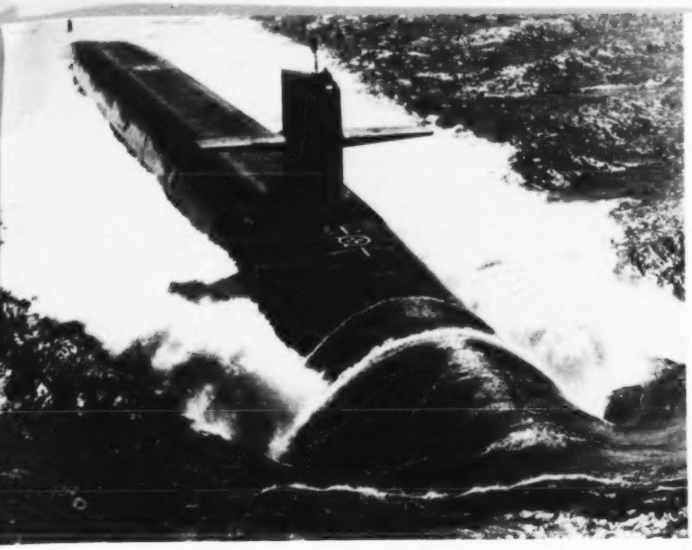
New Construction	FY 87	FY 88	FY89	FY 90	FY 91
TRIDENT	1	1	1	1	1
SSN 688	4	3	3	4	1
SSN 21	–	–	1	–	2
CG 47	2	2	2	2	–
DDG 51	3	3	3	3	5
LHD 1	–	1	1	–	1
LSD 41 (Variant)	–	1	1	1	1
MCM	–	3	–	–	–
MSH	4	4	4	–	–
TAO	2	2	2	2	2
TAGOS	3	3	2	2	–
AE	–	1	–	2	2
AOE 6	1	–	1	1	1
ARS	–	–	–	–	1
AGX AGOR	1	–	–	2	3
LCAC	–	(9)	(9)	(9)	(9)
TOTAL	21	24	21	20	20
Conversions					
CV SLEP	–	1	–	–	1
LPD 4 SLEP	–	–	1	3	3
AO (JUMBO C)	1	1	1	2	–
TACS (C)	2	2	2	–	–
TOTAL	3	4	4	5	4

Figure 16 is our aircraft procurement plan. In FY 87, we request a broad range of aircraft as we build toward an airwing structure needed for a balanced force.

FIGURE 16

NAVY FIVE-YEAR AIRCRAFT PROCUREMENT PLAN

	FY 87	FY 88	FY 89	FY 90	FY 91
A 6E F	11	12	18	24	24
EA 6B	12	12	12	12	12
AV 8B	42	42	42	42	42
F 14	15	12	18	24	36
F A 18	120	132	132	163	163
CH 53E	14	14	14	12	0
V 22	0	0	18	42	58
SH 60B	17	6	6	6	12
SH 60F	7	18	18	18	12
P 3C	9	9	9	9	9
E 2C	6	6	6	6	6
SH 2F	6				
C 2	9				
T 44A	0	0	0	15	
T 45TS	0	12	24	24	48
UH 60A	0	0	3	3	
E 6A	3	3	3	3	
TOTAL	271	278	323	403	422



THE COURSE AHEAD: MARITIME SECURITY REQUIREMENTS AND OPPORTUNITIES

The Navy's budget for FY 87 is the most concrete expression of my concerns about the present and near future, an honest appraisal of the direction I feel we must travel to sustain recent accomplishments, support national policy and strategy, and maintain a position of maritime superiority. But a budget or a five-year defense plan does not, in itself, provide a vision of the future to guide the Navy over the long term. As President Reagan has reminded us, "We are an island nation." We must maintain maritime strength into the distant future, in face of a menacing continental power fully bent on challenging our claim to the seas, and in face of a growing range of other threats in an era of violent peace.

To meet these requirements, today's decisions must be informed by long range thinking and sound strategic vision. The Navy has a particular requirement to look to the future because of the nature of our force structure. The ships we build today will be in commission well into the 2lst century, in some cases 50 years hence. We must look now at maritime security requirements and opportunities that the next century might pose. We have begun such an effort, using maritime strategy as a benchmark.

The maritime strategy is not in itself a long-range plan. It is a comprehensive analysis of our capabilities, the threats we face and the environments in which we operate. It is the basis upon which the many and varied long-range plans within the Navy are developed. Using the precepts of the maritime strategy, the Director of Naval Warfare prepares master plans in each warfare area which look as far forward as possible. Based on warfare master plans and strategies, Navy organizations which sponsor procurement programs develop their master plans, laying out long-range force structure and modernization plans. Thus, our central strategic framework — maritime strategy — provides the point of departure and common frame of reference for decentralized, detailed long-range planning.

The results of this planning effort are not simply put on a shelf to gather dust. Plans and strategies are tested constantly in computer models, simulations, and wargames. Perhaps most importantly, they are tested against what we see in real life, at sea.

The Navy budget and FYDP which you see are only the tip of a planning "iceberg," which looks to the future to ensure that today's programs and decisions are solidly based. But, this process is not the full extent of our view of the future. From a broader perspective, we must understand those factors which will shape future maritime strategy, such as major changes in the global strategic environment, or in the resources available to us – people, technology, the economy, demographics, social forces, as well as more specifically military factors. Several of these areas may offer unique opportunities or pose new requirements for U.S. maritime strategy of the next century, and I have initiated special efforts to broaden our understanding of these issues.

Global Environment

If we look back 30 years we see an international situation and principles of naval operations only incrementally different from today's world. However, if we extend our historic horizon back another 20 years, we witness radical discontinuities in the world's political make up and dramatic differences in the way navies operated. The future may well hold similar discontinuities and challenges. The U.S. Navy recognizes that it must lead changes in naval operations. We cannot afford the luxury of reacting to new realities.

The world environment injects a steady stream of new challenges — oil crises, terrorism, drug abuse. We must understand the impact and interaction of those challenges as they relate to national security, the maritime strategy and the Navy. We must be prepared to respond to them appropriately in support of U.S. national interests. We will continue to make every effort to define those forces which can shape the environment — and thus our strategy — of the 2lst century.

People

U.S. demographic trends are disturbing in that the total manpower pool available for national service will shrink into the next century. Even more disquieting trends can be seen in the qualitative arena. While elementary and secondary schools are getting back to basics, the Navy has been required to lower the levels of training manuals, and institute remedial reading and other programs to develop skills which should have been learned in school. American youth is not as active or physically fit as in past generations, an issue of concern in time of war, where strength and stamina are vital to mission performance. Societal trends in the United States have encouraged youth to think as moral relativists, eschewing the time worn tenets of doing what is right for its own sake.

I believe that a rejuvenation of these three qualities — intellectual, physical, ethical — in America's youth is essential, and could overcome the quantitative shortfall the nation's armed services face in the next decade. I am also convinced that this message resonates with the vast majority of Americans who, in turn, are more likely to affiliate with institutions possessing the highest possible standards of personal excellence. For these reasons, the Navy is beginning long-term effort to enhance the general excellence of Navy men and women and to explore how we can support national efforts to increase the overall excellence of American youth. High-quality personnel are a crucial component of our national security. There is no more important challenge.

Sustainability in Extended Conflict

To meet an increasingly sophisticated threat, our weapons have become more sophisticated. This does not obviate the need for large volumes of weapons, sonobuoys, and other sustainability items in the event of a protracted conventional war. The possibility that a war could be protracted is a formidable deterrent to the Soviets who emphasize achieving a quick, decisive victory. Thus, a fundamental precept of the maritime strategy is to ensure that the Soviets face a protracted conflict should they choose to fight.

At present,the only way to ensure sustainability in extended conflict would be to stockpile huge quantities of ordnance. While stockpiling has its place, an affordable and credible military posture for extended conflict requires a radically improved system for ensuring that the industrial base can accommodate wartime requirements smoothly and produce the right kinds of weapons at the proper rate. This system must include cooperation and planning between the public and private sectors in determination of requirements and identification of potential wartime suppliers. It might include stockpiling of only the most sophisticated components in peacetime, using automated production techniques to quickly produce more easily made components closer to the time when needed and then marrying them for use in wartime. Such a system would not only put teeth into our deterrent but would also reduce our stockpiling requirements, thereby saving money in weapons appropriations.

Technology

The Soviet Union poses an increasingly effective threat to our technological superiority. Through open technology transfer, espionage and a dedicated and massive research and development effort, they have made great strides in closing the technology gap. There are even areas where they have established a margin of superiority, such as titanium hulls for submarines.

I am convinced that we can maintain and increase our lead in most important areas of high technology. The key to this effort is the close cooperation of the strategic planning and technology communities. For example, Navy laboratories understand the demands of the maritime strategy and projects assigned to them are directly related to those demands. Our entire national research effort must be provided similar direction and focus, such as that provided by research in strategic defense. Efforts must include the development of essential technologies and the timely transition into improved and more cost-effective systems. Our efforts must be judicious as well as energetic. We must get a clear idea of our requirements, then strenuously avoid the urge to "gold plate." Technological self-discipline not only leads to more improved systems, but also maintains the public trust and consensus.

Naval Warfare Integration

Modern warfare requires integrated, cross-platform, cross-service thinking to adequately deal with increasing complexity and avoid piecemeal solutions. This recognition has already led to important organizational and programmatic changes. For example, we have strengthened the charter of the Director of Naval Warfare to establish integrated naval warfare requirements and operational concepts with emphasis on those areas which transcend individual naval platforms and include such areas as space and information systems. We consolidated responsibility for all electronic warfare programs into a single office under the Director of Naval Warfare, recognizing the impossibility of dealing with electronic warfare requirements on a platform-oriented basis. We recently reconfigured the Naval Electronic Systems Command to the Space and Naval Warfare Systems Command, recognizing the key roles of space-based systems and information architecture. As we move toward the 21st century, technological realities will make these trends even more pronounced. Artificial barriers to truly integrated warfighting have begun to come down, and we will accelerate the process.

Strategic Defense

The Reagan Administration has established a national priority to move from dependence on the destructive capabilities of offensive nuclear weapons toward research on defensive systems. I am optimistic that this research can produce technological breakthroughs which could move us into an era of enhanced security. Navy plays a major role in the conceptual development of strategic defense architecture since the strategic threat emanates from or transits over the world's oceans. We need to understand all the implications on naval warfare of the transition to a world where both superpowers have the capability to use advanced technologies to defend themselves.

These are key issues which will shape the maritime strategy of the future and challenge it to retain its dynamic qualities. I am confident that my tenure as the Chief of Naval Operations is merely one chapter in a maritime book of future strategic successes. Our people and ships are moving at flank speed into the future. Throughout this trip, strategy must remain the framework around which we plan for the future. It is the bedrock of the renaissance of the U.S. Navy today.

CONCLUSION

Throughout the report, I have asked that you measure us against our strategy. It should be apparent that our strategy is sound and dynamic; our accomplishments have been substantial and our requirements are well-founded; and today's decisions and budget requests are but the tip of a planning process that looks toward the future. Because of our progress over the past five years, and our initiatives to reduce costs and increase efficiency, only modest expenditures are required to sustain and keep us on the right course for the future. Working together with our allies and sister services, the program we have proposed will maintain the maritime superiority, essential to our national security, both now and over the years to come.

The Navy's forward deployed role in protecting our interests will remain crucial in the unstable, often violent environment which confronts us. With your support and that of the American people, the Navy will continue to man the front lines of this violent peace, ready to face the challenges with confidence and spirit born of renewed capability.

Posture Statement
by Commandant of the Marine Corps
General P. X. Kelley

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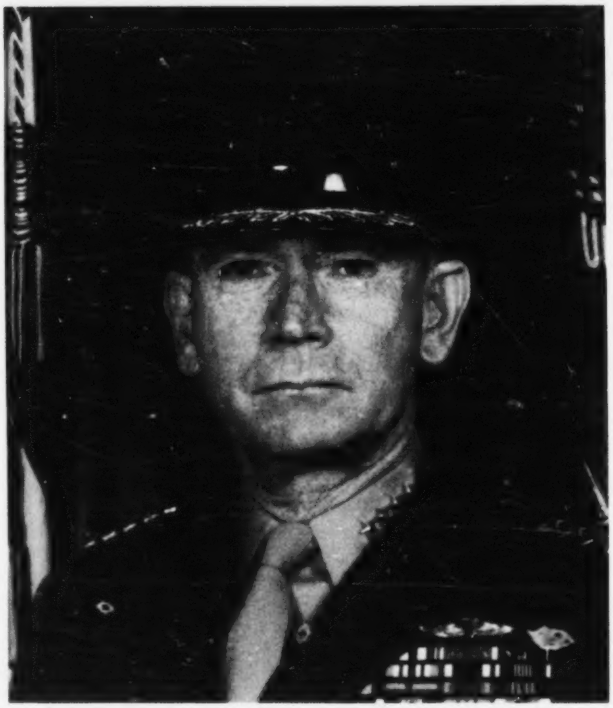
GENERAL P.X. KELLEY, USMC



General Paul X. Kelley is the Commandant of the Marine Corps, Headquarters Marine Corps, Washington, D.C.

General Kelley was born on Nov. 11, 1928, In Boston, Mass. He graduated from Villanova University with a bachelor's degree in economics and was commissioned a Marine second lieutenant in June 1950.

In March 1951, after completing instruction at The Basic School, Quantico, Va., he served consecutively as a platoon leader, assistant battalion operations officer and assistant division training officer with the 2d Marine Division, Camp Lejeune, N.C. He was transferred to the USS *Salem,* flagship of the 6th Fleet, during September 1952, serving as the executive officer and the commanding officer of the Marine Detachment for a period of 20 months. He was promoted to captain on Dec. 16, 1953.

He was ordered to Camp Pendleton, Calif., in July 1954, where he served as a battalion executive officer with the 1st Infantry Training Regiment. Transferred to Japan in February 1955, he served as the division training officer, 3d Marine Division. From August 1955 to June 1956, he served as the aide-de-camp to the deputy commanding general, and then as assistant force training officer, Fleet Marine Force, Pacific, in Hawaii.

Returning to the U.S. in July 1956 General Kelley became the special assistant to the Director of Personnel at Headquarters Marine Corps, Washington, D.C., until December 1957. Following his assignment in Washington, he completed the Airborne Pathfinder School at Ft. Benning, Ga. In February 1958, he was assigned to the newly activated 2d Force Reconnaissance Company, Force Troops, Fleet Marine Force, Atlantic, Camp Lejeune, where he served as the executive officer and then commanding officer.

From September 1960 to May 1961, he was the U.S. Marine Corps exchange officer with the British Royal Marines. During this tour he attended the Commando Course in England, served as assistant operations officer with 45 Commando in Aden, and as Commander "C" Troop, 42 Commando in Singapore, Malaya and Borneo. On March 1, 1961, he was promoted to major.

He was assigned to Marine Corps Schools, Quantico, in July 1961, and served there as a tactics phase chief at The Basic School; and then reconnaissance and surveillance officer at the Marine Corps Landing Force Development Center.

In June 1964, he assumed duties as commanding officer, Marine Barracks, Newport, R.I. He remained at that post until August 1965, when he was transferred to Vietnam and reported to III Marine Amphibious Force, FMF, Pacific, as the combat intelligence officer. Following this assignment, he served as the commanding officer, 2d Battalion, 4th Marine Regiment in Vietnam. He was promoted to lieutenant colonel on January 20, 1966. During this tour as battalion commander, he earned the Silver Star Medal, the Legion of Merit with Combat "V" and two awards of the Bronze Star Medal with Combat "V".

Reassigned to the Washington area in July 1971, General Kelley served as the Chief, Southeast Asia Branch, Plans and Policy Directorate, Organization of the Joint Chiefs of Staff, where he remained until November 1973, when he was assigned as the executive assistant to the Director, Joint Staff. Upon completion of this tour he was awarded a third Legion of Merit.

Following his promotion to brigadier general on Aug. 6, 1974, he was assigned as the Commanding General, 4th Marine Division.

In June, 1975, General Kelley was ordered to the Marine Corps Development and Education Command, at Quantico, where he assumed the duties as Director, Education Center and was advanced to the grade of major general on June 29, 1976.

In May 1978, General Kelley was ordered to Headquarters Marine Corps, where he became Deputy Chief of Staff for Requirements and Programs.

On Feb. 4, 1980, General Kelley was promoted to lieutenant general and appointed by the President as the first commander of the Rapid Deployment Joint Task Force, (renamed the United States Central Command (USCENTCOM) in January 1983), a four-service force with headquarters at MacDill AFB, Tampa, Fla.

General Kelley was promoted to the rank of general and assumed the duties as Assistant Commandant of the Marine Corps and Chief of Staff on July 1, 1981. He assumed his present office as Commandant of the Marine Corps on July 1, 1983.

General Kelley's personal decorations and awards include; the Silve Star Medal; Legion of Merit with Combat "V" and two gold stars in lieu of second and third awards; the Bronze Star Medal with Combat "V" and gold star in lieu of a second award; the Joint Service Commendation Medal; Navy Commendation Medal; and the Army Commendation Medal. He is a Marine Corps parachutist and U.S. Army master parachutist.

General Kelley and his wife, the former Barbara Adams of Fall River, Mass., have a daughter, Mrs. John Cimko.

A Report by
General P.X. Kelley
U.S. Marine Corps
Commandant of the Marine Corps
on the
Posture, Plans, and Programs
for Fiscal Year 1987

Mr. Chairman, members of the Committee:

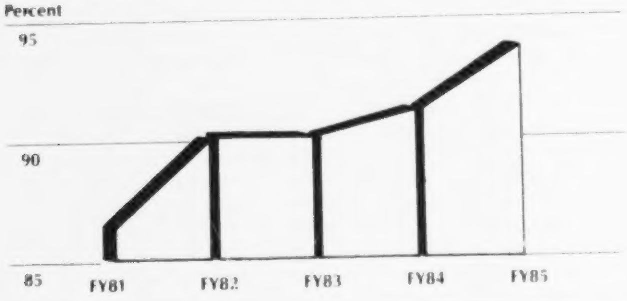
It is a pleasure for me to report to you for the third time on the posture of your Marine Corps. In doing so, however, I should note at the outset that this statement does not reflect any impacts which will result from the implementation of the Gramm-Rudman-Hollings Amendment.

Thanks to strong support of the Administration and the Congress, and the unprecedented superior quality of the young men and women filling our ranks today, the Marine Corps is ready to meet any worldwide commitment. I have chosen two charts for initial use to illustrate the positive impact these elements have had on the readiness of our air-ground team.

Table 1 depicts our ground equipment readiness, which is at an all-time high of 93.6 percent.

Table 2 illustrates the percentage of mission capable aircraft which are available for combat. This rate has increased by 16 percent since 1981. This increase equates to approximately 180 additional aircraft.

Ground Equipment Readiness **TABLE 1**



Readiness for combat is not unique to our active forces. The Reserves, under our "Total Force" policy, complement active forces by also providing a modernized capability to rapidly expand the active structure with trained, combat-ready Marines.

As I stated earlier, Marine Corps readiness is built upon quality:

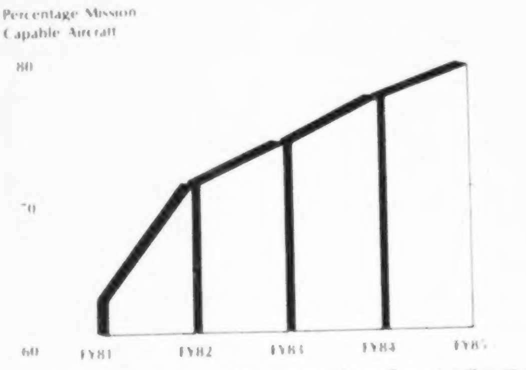
- quality people – the best we have seen;
- an improved quality of life – to enhance morale and assist in the retention of our quality people;
- the finest weapons and equipment – to off set quantity with quality;
- modern strategic deployment and employment assets – to ensure global responsiveness and improved reinforcement capabilities; and
- superb training – to ensure the effective utilization of our forces. Each of these readiness factors will be discussed in detail.

Our past efforts and future initiatives for readiness are focused on providing our Marines with the wherewithal for success in combat. These Marines remain the linchpin of success amid the glamors of technology. Without quality people, all other investments in defense would be for naught.

PATRIOTIC PROFESSIONALS

Today's Marines are patriotic professionals who came to the Corps eager to serve their country. The fact that these exceptional men and women are reporting to our recruit depots is a testimonial to the outstanding efforts of our dedicated recruiting force. Quality begets quality, as proven again through the attainment of our recruiting goals in FY 85.

Aircraft Readiness **TABLE 2**

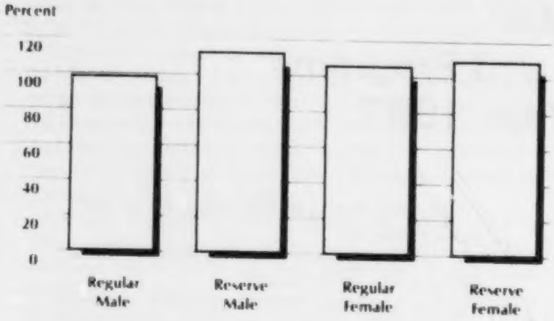


Percentage of aircraft which are Mission Capable are those aircraft in an operational status and capable of flying missions in support of forces.

As shown in Table 3, attainment of enlisted recruiting goals for FY 85 nearly exceeded 100 percent in every category.

Our young volunteers are the highest qualified recruits in the Corps' history. Table 4 displays the dramatic increase in the percentage of high school graduates who have joined our ranks over the past four years. The number of recruits with a high school diploma reached an unprecedented 96.8 percent in FY 85.

USMC FY85 Enlisted Attainment **TABLE 3**

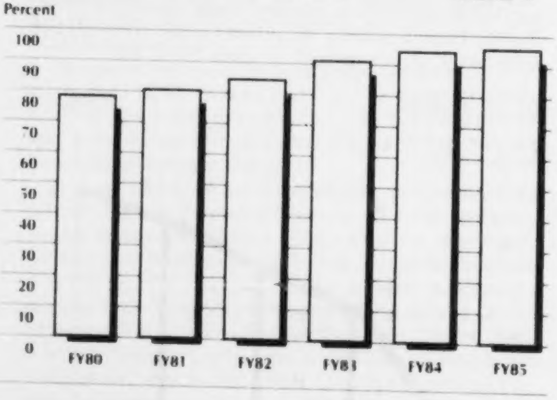


Moreover, 96 percent of these men and women scored in the upper three categories on the Armed Services Vocational Aptitude Battery (ASVAB).

These recruits join a Corps filled with professionals who continue to serve our country with distinction. The quantity of quality enlisted personnel in the force today is the highest we have experienced. Additionally, today's Marines are staying longer, doing more, and doing it more efficiently. I know, because I have seen the pride and professionalism demonstrated in my many visits to the field.

Our Marines benefit from conscientious, competent, and mature leadership, both in a distinguished body of staff noncommissioned officers (SNCO's) and an officer corps whose quality mirrors that of the force they lead. Our officers lead by example and by practicing a basic philosophy that says, "Marines take care of their own."

High School Graduates (% of Recruits) **TABLE 4**



The quality of our officer corps is a direct result of selectivity in our commissioning programs, vigorous hands-on training, practical experience, and the retention of our most qualified Marines. Annual attrition of field grade officers, for example, has dropped from 15.4 percent in 1979 to 6.3 percent in 1985. This experienced leadership is critical to readiness in today's uncertain world. The result is a more experienced, seasoned officer corps, better able to lead today's Marines.

The "continuity of command" policy which we implemented in 1984 is working well. Commanders of battalions, squadrons, and higher-level commands normally serve in these critical assignments for 24 months. This policy provides stable, experienced, and quality leadership for our Marines. Combined with an expanding Unit Deployment Program, this continuity is critical to developing a more cohesive, combat-ready fighting force. The end result, of course, is enhanced readiness.

QUALITY OF LIFE

A high state of readiness is linked to esprit de corps, among other factors. High morale, in turn, is partially dependent upon a sound quality of life.

At the top of the quality-of-life list is pay—fair compensation for dedicated and skilled performance. Past congressional support for pay and entitlements has brought about substantial improvements, almost achieving pay comparability with the private sector for the military community through pay raises in FY 81 and FY 82. This relative pay comparability, however, has since been eroded. The 4 percent pay caps of the three previous years, even though offset by a 3.0 percent pay raise in FY 86, *has allowed a gap between military and private sector wage levels to grow to 8.3 percent* as measured by the Employment Cost Index (ECI). In order to maintain our quality force,(Table 5) it is imperative that military pay be returned to a reasonably comparable level. I ask for your help on this vital issue.

Related to pay are the allowances which are associated with maintaining a home. I seek your continued support for travel allowances and for the basic allowances for quarters (BAQ) and variable housing allowance (VHA). We greatly appreciate your efforts for improvements in these areas which relieve some of the burden our Marines and their families incur when moving into a new community.

The military retirement system is an integral part of the military compensation system. The present system is a good one. It is not overly generous as some perceive. It has served us long and well as one of our primary active and reserve force management tools. Proposed changes to the present system should be carefully analyzed and weighed for the impact that they could have on the total force. Pay, alone, does not create or sustain the basic, wholesome lifestyle, which is necessary to support our Marines and their families.

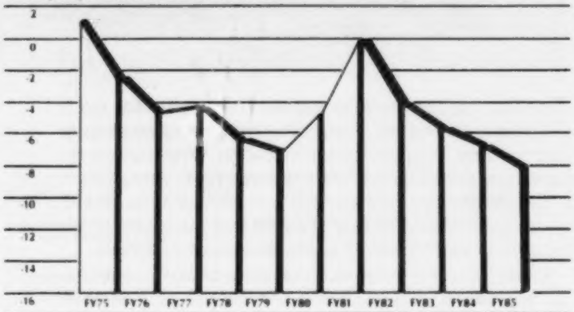
We are continuing to construct barracks at an accelerated pace in order to accommodate the need for adequate billeting spaces. Twenty-eight percent of our Military Construction (MILCON) program (Table 6) this year is devoted to constructing or renovating 4,479 living spaces. We will have reduced the deficit of living spaces from 55,000 in 1980 to 34,000 by the end of FY 87. The progress made thus far is excellent, but we still have a long way to go.

Another 6 percent of the MILCON program provides other quality-of-life items such as physical fitness centers and new messhalls. An ongoing program is designed to renovate many of our messhalls. More than half of these renovations have been completed.

Critical to readiness is a sound program for countering drug and alcohol abuse. I am happy to say that great progress has been made. Marines are entitled to an environment that is free of illegal drugs. It is my goal to provide that environment.

Marines with drug or alcohol dependency are being identified, treated and, when possible, restored to full duty. Those who do not respond are processed for separation. During 1985, 1,551 Marines received formal treatment for substance dependency and have returned to full duty. We believe that current treatment programs, when combined with preventive education programs and policies designed to deter abuse, have significantly reduced drug and alcohol abuse in the Corps.

Relative Pay Comparability **TABLE 5**
Military Pay Increase Relative to ECI



Families of married Marines are included in the quality-of-life calculation. Marine Corps Exchanges are offering a wide variety of goods and services to our families. Close attention to our customer needs has resulted in increased use of these facilities. The profits from post exchanges are used to supplement funds appropriated by Congress for morale, welfare, and recreation programs used by Marines and their families.

Our commissaries continue to provide a necessary service for Marine families. We have an efficient commissary system which continues to serve as a model for food store operations with its centralized distribution centers. We have concentrated our commissary construction program on the more austere locations, such as our bases at Barstow and Twentynine Palms, Calif.

The family housing shortage in the Southern California area will decrease with the completion of 1,384 units which have been approved in the last two years. I am particularly proud of the additional 632 units which we are providing for our junior Marines, lance corporals and below, at Camp Pendleton. Groundbreaking for this project took place in January 1986. Our plan to construct 300 mobile home spaces at four of our bases is essential, particularly to our enlisted Marines. This will offer a Marine that "chance" to buy a home and move it when transferred to a new location.

The government of Japan has been constructing many new family housing units for our use at Iwakuni and on Okinawa. By 1994-96, we expect to be able to provide housing for 3,581 Marines serving in Japan who are accompanied by their families.

Additionally, we have continued to improve our existing family housing by adding patios and dishwashers. More than 8,000 homes have been rehabilitated in the last six years through major repair programs. Plans are underway to complete another 5,000 whole-house rehabilitations in the next five years.

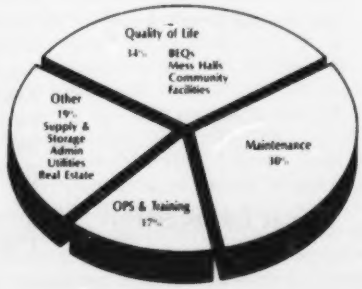
Health care for the entire Marine family is of great concern to me. The Surgeon General of the Navy is committed to ensuring that quality health care is available to all beneficiaries and has established a Navy-wide program to monitor and evaluate the quality of that care. Despite some recent, isolated cases, the evidence gathered by our inspection team indicates that the quality of medical care is excellent. I am pleased that dental care has been expanded to include treatment of dependents at military dental facilities on a space available basis. The DOD Preventive Dentistry Program for dependent children has been reemphasized and upgraded to include the latest measures to control dental disease. These programs provide a limited amount of care for our families. I believe, however, that a comprehensive, government-sponsored insurance plan is needed to provide complete dental care.

Family Service Centers continue to expand with the opening of our 19th center in Kansas City, Mo., last October. These centers provide information and services to over 100,000 clients annually. Family Service Centers offer personal, family, and financial counseling; relocation information; referral and assistance; and stress-management programs. Additionally, they provide pre- and post-deployment briefings for Marines and their families, assisting commanders in maintaining unit personnel readiness by reducing unit turbulence.

Employment Resource Centers have been implemented to help spouses, separating and retiring Marines, and others to find jobs in the local community. The adverse effects of frequent moves on the careers of spouses have long been recognized, but only recently have resources been available to professionally staff and fully automate a program to reduce unemployment problems. Plans call for 16 Employment Resource Centers to be operational at our major commands by Oct. 1, 1987.

The frequency of the moves mentioned above remains a constant concern. By reducing this frequency, we can decrease cost and improve the quality of life for Marines and their family. Permanent change of station (PCS) moves are limited to those necessary for manpower readiness in our operating forces and

Marine Corps **TABLE 6**
Military Construction (MILCON) Distribution



for the equalization of hardship duty. To this end, the Marine Corps strives to reduce dependent-restricted overseas tours by expanding the Unit Deployment Program, where possible, and increasing the number of Marines sent overseas with their families under the Accompanied Tours Program. Tour lengths must remain realistic for Marines who serve without their families overseas because of operational commitments. Tours must be long enough to meet operational needs, but not so long as to create further hardships for these separated families. Cost, alone, must not be the principal factor in establishing the tour lengths for Marines serving overseas without their dependents.

Overall, our Marines and their families are experiencing an enriched quality of life due, in large measure, to these congressionally approved programs.

WEAPONS, EQUIPMENT AND LOGISTICS

In 1978, the Commandant had to decide if he wanted to retain readiness as a priority at the expense of a strength reduction of 10,000 Marines. No meaningful modernization program for air or ground equipment was possible at that time.

In recent years, thanks to your support, we have enjoyed an entirely different situation. Rather than decrease our strength by 10,000 Marines from the 1978 level of 188,000, we are now at 198,300. We remain ready and we are modernizing. For example, we plan to replace every single weapons system within the Marine division – from the pistol to the main battle tank – in a decade. Every aircraft in our inventory is either being replaced or upgraded. In terms of sustainability, we are in the best condition we have ever been. When you compare the Corps of the mid-to-late 1970s with the Corps of today, it is similar to comparing apples with oranges. The reason for such a significant change is simple: the administration's support and congressional backing. With the ever-increasing probability of facing a quantitatively superior foe, we must continue to focus on quality because future budgets will likely provide less funding for increases in personnel or equipment and supplies.

Quality must permeate all aspects of our Corps. As I stated earlier, the quality of the individual Marine is the preeminent consideration in the overall quality equation. These Marines must be provided with the finest weapons and equipment and be supported by the best-managed logistics that we can afford.

Since the infantry is the cutting edge of amphibious forces it will be covered first, followed by improvement efforts for supporting ground, aviation, and logistic elements.

We are in the process of returning to the 13-man squad from an 11-man squad. The 13-man squad

TABLE 7

Infantry Enhancements

Increased Sustainability	• Return to 13-Man Rifle Squad
Improved Small Arms	• Shoulder-Launched Multipurpose Assault Weapon (SMAW); procurement FY84-89 (Fielded FY84) • Squad Automatic Weapon (SAW); procurement FY82-87 (IOC FY84) • M16 Product Improvement Program (PIP) M16A2; procurement FY82-89 (IOC FY84)
Improved Small Arms	• 9mm Pistol –Beretta M92SBF, 9mm Pistol –Replaces the current .38 and .45 caliber pistols • M60E3 7.62mm MG PIP; procurement FY84-85 (IOC FY86) fielded CY86 • MK19 40mm Grenade Launcher; procurement FY82-89 (IOC FY86)
Mortar Enhancements	• I81mm--procurement FY85, 87, and 88 (IOC w LAV FY86, IOC w other FMF units FY89)

served the Corps well for almost 40 years and provides far more maneuverability, flexibility, and sustainability at the small unit level. Table 7 illustrates the dramatic modernization that is taking place in our infantry battalions.

The modernization of Marine Corps artillery is continuing as scheduled (Table 8). One artillery battalion in the Reserve forces was equipped with the M198 during FY 85, and the remainin towed battalions will be equipped during FY 88-89. Additional self-propelled, 155mm batteries will be activated during the period FY 87-89 to improve our general support capability through improved mobility and survivability.

Our target acquisition capability has also been enhanced by fielding the AN/TPQ-36 counter-fire radars within CONUS artillery regiments. The remaining active forces will be equipped with the AN/TPQ-36 this fiscal year, and the Reserve forces will receive it during FY 87.

As indicated in Table 8, the Marine Corps has procured the Army's Battery Computer System, Meteorological Data System, and Position Azimuth Determination System, which allow continued joint training and logistical support, as well as providing improved responsiveness and accuracy of artillery fires. Most importantly, commonality means mutual support.

Artillery Modernization **TABLE 8**

Conversion to M198, 155mm Towed Howitzer	• New structure transition began in FY83 • 433 howitzers delivered through FY85 • 144 howitzers programmed FY86-87
M109A3, 155mm Self-Propelled Howitzer	• Currently have 6 batteries • 3 additional batteries to be fielded by FY89
Target Acquisition Battery (TAB)	• One TAB each in FY85, FY87, and FY88 • AN/TPQ-36 Fire Finder Radar fielded FY85. Remaining systems to be fielded FY86
Precision Guided Projectiles	• Modular Universal Laser Equipment (MULE) to begin fielding FY86 • 155mm Copperhead
Battery Computer System	• To be fielded FY87
Meteorological Data System	• To be fielded FY87
Position Azimuth Determination System	• Commenced fielding

This commanality is also extended to our armor enhancements. Our current main battle tank, the M60A1, will begin reaching the end of its service life in the late 1980s. After an extensive evaluation of potential replacements, the M1A1 120mm tank was selected. M1A1's are planned to begin entering the inventory in FY 90.

Antiarmor Enhancements **TABLE 9**

Tube-Launched Optically-Tracked, Wire Guided Missile (TOW)	• Phase I TOW Procurement Complete • New 5" TOW warhead and extended range to 3750m • Phase II procurement began FY81; 6" TOW warhead, extended range and electrical optical counter-measures (EOCM) (IOC FY84) • Night sights--144 per division; procurement FY79-87 (IOC FY84)
Tanks	• M60A1--end of service life late 1980's • FY88 funds planned for replacement of M60A1 with M1A1 • Enhanced lethality, mobility, and survivability
Air Delivered	• Modern armor threat necessitates air-delivered antiarmor weapons which offer increased aircraft survivability and target lethality • Near-term, state-of-the-art, antiarmor weapons being pursued for both fixed wing and helicopters • Laser Maverick--fixed wing Precision Guided Munition (PGM) (IOC FY85) • Hellfire--helicopter PGM (IOC FY86) • GATOR--area area denial weapon (IOC FY85) • 25mm multipurpose gun for the AV-8B (IOC FY85)
Light Antiarmor Weapons	• AT4 –Procure in FY86-91 to replace M72A2 LAW –Improved accuracy and penetration –9mm training device improves all aspects of training • Dragon PIP –Greater penetration warhead (IOC FY88) –Faster, longer range missile with improved day/night tracker (IOC FY90)

The ability to engage and defeat heavy and light threat armor has also been improved with the addition of some new weapons and improved ammunition (Table 9). The AT4 has been selected as a replacement for the M72A2 LAW, and the Shoulder-launched Multipurpose Assault Weapon (SMAW), now capable of defeating light armor, will soon be capable of defeating armor up to and including the Soviet T72 tank. Additionally, 40mm and .50 caliber improved munitions now give us the capability to defeat light armored vehicles. TOW 2, with its greater range and improved penetration, coupled with the planned product improved Dragon (IOC 90) with increased range, penetration, and improved tracker, complete the array of antiarmor weapons. To improve our night fighting capability, we have fielded a full spectrum of night vision sights and goggles to complement these new weapons.

Our naval surface fire support (NSFS) capability is being dramatically improved with the return of all four *Iowa*-class battleships. The third, the USS *Missouri*, is scheduled for recommissioning this summer. Reactivation of the USS *Wisconsin* is scheduled for FY 86.

These battleships' large caliber guns provide a legitimate sense of security for Marines. They are also complementary to landing force artillery after it is established ashore. The introduction of the 5" Semi-active Laser Guided Projectile, plus the development of the improved 16-inch ammunition, will provide the best NSFS that we have enjoyed for some time. Progress in NSFS must continue. In the future, we hope to launch our Marines from over-the-horizon onto beaches and further inland. Adequate range in NSFS is required to support the assault of helicopters and air-cushion craft. These capabilities may generate a need for some NSFS systems with ranges of 60 nautical miles.

A related Navy-Marine Corps program will procure a short-range, remotely piloted vehicle (RPV). The program will provide an operational capability in FY 87 and it will be used to evaluate RPV tactics and operational employment concepts for the unique target acquisition, battlefield surveillance, artillery and naval surface fire support, and communications relay roles.

A major segment of our Marine combined-arms firepower is resident in our aviation forces. Today, Marine aviation is far better prepared than ever before to provide vital support to our ground combat forces(Table 10).

Strong congressional support for the AV-8B *Harrier* is greatly appreciated. Today, we are rapidly converting our light-attack force to the AV-8B. Our first two tactical squadrons are now operational. One more will commence transition in March with an additional one following in FY 87. This will complete the transition of our existing *Harrier* pilot base. The vertical short take off landing and (V/STOL) trainer, TAV-8B, is scheduled to arrive in time to transition our conventional A-4 light-attack aircrews to this new AV-8.

The extraordinarily successful introduction of the F/A-18 continues. Today, there are four strike fighter (VMFA) squadrons operational with two more to be phased in during 1986. The tremendous fighter/attack flexibility of the single-seat F/A-18 has

Aviation Enhancements

TABLE 10

AV-8B	• Highly successful operation evaluation completed; enthusiastically recommended for full production • Features: –Basing flexibility increases close air support (CAS) responsiveness –Lethality improved with onboard ordnance delivery system –Effectiveness enhanced with increased payload • Night-attack capable
F/A-18	• Night-attack capable • More efficient capable MAGTF support
Night Attack	• Regains night for warfighting • Allows medium to high threat operations during darkness –Night vision goggles enable maneuvers close to ground –Navigation FLIR provides terrain identification –Moving map display reduces disorientation –Rasterized HUD allows out-of-cockpit operation –AV-8B leader: F/A-18 and A-6F to follow
A-6F	• Significant improvement to reliability, maintainability, and survivability –Enhanced radar accommodates beyond-visual-range weapons –New avionics/engines provide greater reliability and commonality –Design features to reduce maintenance manhours • Ensures vital deep strike medium-attack and all-weather CAS capability
Tactical Air Operations Module (TAOM)	• Replaces unsupportable 1960's equipment • Reduces number of personnel and support equipment • Enables tailoring of capability to size and complexity of operation • Provides reliable, deployable, employable command and control

provided an opportunity to expand the roles assigned to a single airframe, and is manifested in the planned reorganization of the VMFA squadron. Reorganization is further driven by the growth potential inherent with the two-seat F/A-18. With two essentially common airframes, the Marine Corps will incorporate the Tactical air coordinator (airborne), the forward air controller (airborne), and the reconnaissance capability, as well as an austere all-weather capability into every squadron. The overall effect is a reduction in personnel and a reduced logistical support requirement. Of primary importance, however, is the fact that a more efficient and capable aviation combat organization will be supporting our forces. The F/A-18 and the AV-8B share in another program aimed at improving their already impressive capabilities.

With the support of the Congress, the Night Attack Program was initiated as a low-cost night enhancement. The night attack system enables the pilot to operate at night using daylight tactics associated with medium-to-high threat operations. The cockpit is compatible with night-vision goggles (NVG) and is provided with forward-looking, infrared radar (FLIR), and a moving-map display which reduces the potential for disorientation common to low altitude and reduced visibility operations. The AV-8B is the leader in this development program with the F/A-18 and A-6F to follow. For the AV-8B, procurement is to commence in FY 87, while F/A-18 procurement begins in FY 88. Night attack offers the opportunity to use the cloak of darkness to increase aircraft survivability while overcoming obstacles associated with night operations. The capability to operate in adverse weather is improving as well.

The A-6F provides significant improvement to the existing A-6E by increasing reliability, maintainability, and survivability. New engines and avionics will provide greater reliability and commonality with other fleet aircraft. Design features have also been incorporated to reduce maintenance man-hours. Finally, survivability is enhanced with increased weapons standoff, reduced systems vulnerability, and improved electronic countermeasures. The A-6F ensures that the vital deep-strike, medium attack and all-weather capabilities are unparalleled.

Modernization of Reserve aviation continues to be a priority. Although aircraft released from the active Forces are immediately placed in the Marine Corps Reserve inventory, this does not satisfy long-term requirements. While these aircraft remain capable, our aviation acquisition plans address continued modernization. We request continued congressional support in these efforts.

Our tactical mobility, both ground and air, remains vital. We have increased the capability of our assault amphibians and extended their useful life. We have also embarked on a product improvement program

Ground Tactical Mobility Enhancements

TABLE 11

Assault Amphibian Vehicle (AAV7A1)	• Service life extension program began 1982 • Extends use through the 1990's • New engine, nonintegral fuel tank, all electric weapons stations • 327 new AAV's for MPS
Light Armored Vehicle (LAV)	• Lightweight, flexible, agile fighting vehicle • Firepower-intensive organization 110 LAV's per LAV battalion • Helicopter transportable • Enhances strategic transportability
Armored Vehicle Launched Bridge (AVLB)	• Eliminates critical shortfall in assault gap crossing capability • Organic to Tank Battalion • Capable of pacing with Armor and AAV Units

that will further enhance the firepower, mobility, and survivability of the AAV7A1 (Table 11). This product improvement program will enable the AAV7A1 to meet all its operational demands until the follow-on vehicle, the Advanced Assault Amphibian Vehicle (AAAV), is fielded in the late 1990s.

The Light Armored Vehicle (LAV) program is fully underway with the LAV-25 and the Mission Role Vehicles (MRV's) currently being delivered. The MRV's use a common baseline chassis with multiple configurations; e.g., antitank, recovery, mortar, logistics, and command and control. This family of vehicles reduces training and support requirements and improves combat interoperability.

Our tactical motor transport program consists of light, medium, and heavy vehicle fleets. The light vehicle fleet consists of the Commercial Utility Cargo Vehicle (CUCV) and High Mobility 25 Multipurpose Wheeled Vehicle (HMMWV). The CUCV is a commercial 5/4-ton vehicle that replaces the obsolete M880 truck; fielding will be completed in FY 86. The HMMWV – a multipurpose vehicle – has a 5/4-ton capacity and will replace the Jeep, MULE, Gamma Goat, and light trailers. Initial production test results of the HMMWV have shown that it is far superior to any vehicle in our light-vehicle fleet in regards to reliability, availability, maintainability, and durability. Minor deficiencies were identified, but are being rectified at no cost to the government.

The medium-vehicle fleet consists of the M939, product-improved, 5-ton truck series. The general purpose use of special containers or modules for fuel and water will reduce our need for special-purpose vehicles. Again, we are seeking fewer systems which have multiple capabilities.

The heavy-vehicle fleet, consisting of a 16-ton tractor and four rear-body variants, will replace the current 20-ton tractors and a large quantity of 5-ton tractors and trailers.

One of the Navy's most significant programs for ship-to-shore tactical mobility is the Landing Craft, Air Cushioned (LCAC). The LCAC will dramatically increase our amphibious assault by providing us with a true over-the-horizon launch capability. The LCAC's have only begun to enter the fleet and we will need at least 90 for a meaningful capability. We look forward to the introduction of the first detachment at Camp Pendleton, Calif., later this year.

The tactical mobility of the MV-22 *Osprey* complements ground tactical mobility. We have made tremendous progress on this tiltrotor aircraft development during the past two years. Our preliminary design phase has been highly successful. Over 6,000 hours of wind tunnel work and extensive design evaluations have allowed us to proceed with full-scale development of a highly-refined and cost-effective design. I fully expect the *Osprey* to meet our urgent operational requirements when it begins replacing the aging CH-46's in 1991. The unique aspects of tiltrotor technology combine the inherent features of both turboprop and helicopter. The MV-22 is self-deployable with an unrefueled range of 2,100 nm; responsive at airspeeds in excess of 250 knots; potent by virtue of the 24 combat-loaded Marines or 10,000 pounds of cargo it transports; and flexible due to the variety of basing options and environments in which it may be employed. The promise offered by our performance estimates convinces me that we will gain exactly what we need to meet our force projection requirements in the 1990s and beyond.

Supporting the medium-lift of the MV-22 is the CH-53E, the most powerful helicopter in the free world. The continued procurement of the CH-53E *Sea Stallion* is essential to maintaining a heavy-lift capability in the future. The CH-53E provides lift for heavy weapons and equipment in the amphibious assault to include the M-198 Howitzer and the LAV. Additionally, the *Sea Stallion* can retrieve every aircraft in the tactical and assault inventory, including another CH-53E. During the past year, the CH-53E has demonstrated its coast-to-coast aerial refueling flight capability. In light of the pre-positioning airlift constraints, the air-to-air refueling and self-deployable CH-53E is considered essential to the success of those operations.

Our support units are equally critical to our attainment and maintenance of readiness. Quality engineer, maintenance, and medical support are essential to our amphibious force projection capability.

Combat engineers are presently capable of laying and clearing mine fields, as well as emplacing and breaching obstacles.

Five initiatives (Table 12) are underway to provide the combat engineer with a rapid means of neutralizing enemy minefields. A sixth system is a rapid minefield emplacement system, expanding the ability of the combat engineers to support ground forces.

Maintenance programs, warehousing, training, and administrative facilities have improved. This year's military construction and real property maintenance funds will provide support for major weapons systems such as the F/A-18, AV-8B, and the CH-53E. They

Combat Engineer Enhancements TABLE 12

Improved Counter Mine	• M58 Trailer Mounted Line Charge System: assault mine field breaching capability for Tank and Engineer Bn's (IOC FY87) • M59 Mine Clearance System Kit: assault mine breach from surf zone and inland for AAV Bn's (IOC FY87) • Portable Mine Neutralization System (POMINS): will provide anti-personnel land mine and wire obstacle clearance. Replaces bangalore torpedo. • Cleared Lane Marking System (CLAMS): provides mine breach marking system for armor, LAV, and AAV • Vehicle Magnetic Signature Duplicator (VEMASID): projects a magnetic field causing magnetic mine fuse logic to activate and harmlessly detonate mines • Conventional Mine Laving System (CMLS): will provide rapid emplacement of current M15 anti-tank mines

will also provide ordnance facilities, improved gunnery ranges, new electronics maintenance facilities, new administrative buildings, and fire protection programs.

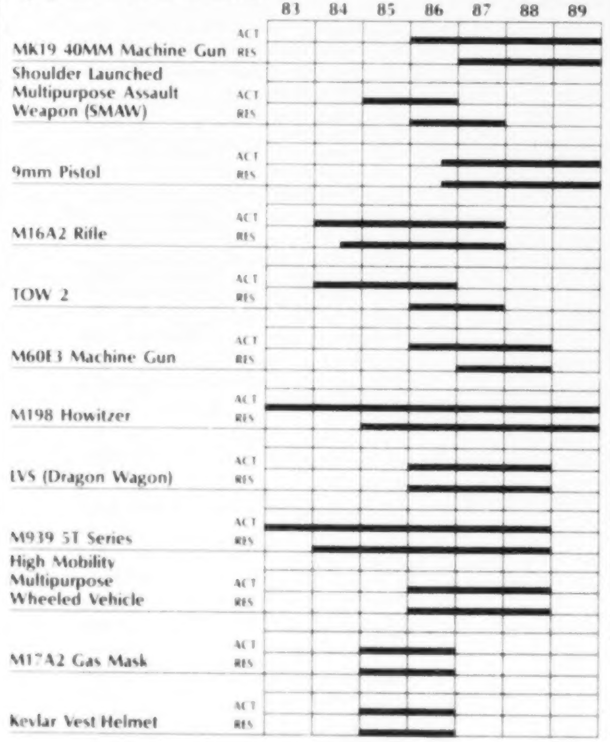
Medical support for committed Marines will be provided by a Rapidly Deployable Medical Facility (RDMF) until it is replaced in 1987 by the first Combat Zone Fleet Hospital specifically designed and equipped to render immediate care to casualties. The Navy will have 23 of these modular field hospitals ranging in size from 250 to 1,000 beds. The hospitals can be employed independently or in multiples as operational requirements demand. Each module is equipped for surgically intense casualty flow and is self-sustaining for 30 days. Two 250-bed hospitals will be loaded aboard ship as part of the Maritime Prepositioning Ships (MPS) program in support of our force while the remainder, as part of the overall continuum of care for medical support, are programmed for physical placement in CONUS or overseas within the supported commander's area of responsibility.

Additional combat service support enhancements not previously mentioned are listed in Table 13.

New weapons and equipment are being introduced into Reserve as well as the regular units. These horizontal integrations are depicted in Table 14.

In all of our programs, we are maintaining vigilance over our procurement systems to ensure that maximum value is received for each dollar spent. I have charged both requirements and contracting personnel to be certain that we buy only what we need and that we pay a fair price. Systems have been implemented to challenge questionable prices and to report any suspected violations. We have ensured that everyone who is associated with procurement fully understands our procedures and practices. We want the taxpayers to know that we are spending their tax monies judiciously and that we are getting the "biggest bang for their buck." We simply do not tolerate waste, fraud, or abuse!

Equipment Modernization **TABLE 13**



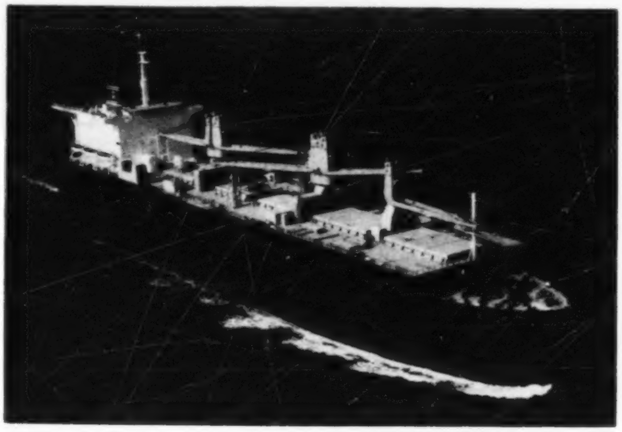
Combat Service Support Enhancements **TABLE 14**

Logistics Vehicle System (LVS)	• One front power unit and four interchangeable rear body units container hauler wrecker dropside cargo with crane 5th wheel • Off-road mobility • 60" fording capability without kit • Common chassis drive train • All diesel fleet • Multiuse rear body variants • Air transportable in C-141, C5, and C-17 (prototype) aircraft • IOC during FY86
Reverse Osmosis Water Purification Unit	• Replaces all existing water purification equipment • Produces potable water from salt, brackish, and fresh sources • Can purify NBC contaminated water
Field Logistics System (FLS)	• Exploits the benefits of containerization • Compatible with international dimensional standards • Reduces maintenance and training requirements due to commonality of equipment • Improves strategic mobility and sustainability
Ribbon Bridge	• Nondevelopment item in service w U.S. Army for 10 years • Military Load Class 70 • Rapidly Employable • 276 ft per bridge platoon • No support equipment required • LVS provides transport capability MK48/19 (Multipurpose)

STRATEGIC DEPLOYMENT AND TACTICAL EMPLOYMENT ASSETS

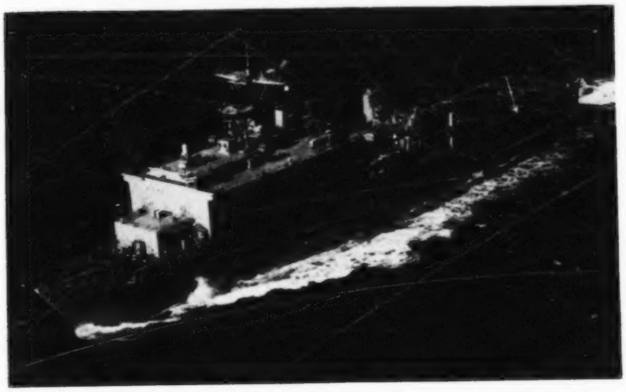
The effective employment of Marines depends upon timeliness as well as readiness. The foundation of this timeliness is seen in our strategic deployment assets. Once Marines are deployed, the finest tactical employment assets become the basis for success.

I understand that our crisis response and reinforcement roles will continue to be shaped by the realization that funding constraints will not allow additional forces to be permanently stationed overseas, nor will we see a massive influx of amphibious ship construction money to simultaneously lift more than our current lift objective—the assault echelon of a Marine Amphibious Force (MAF) and a Marine Amphibious Brigade (MAB). The size and composition of these task forces will be discussed later. The Navy-Marine Corps team has, however, made significant progress since 1980 with programs designed to enhance the nation's force projection capability.



While we have continued to focus on amphibious force projection, other programs – such as Norway and Maritime pre-positioning – have served to supplement, complement, and enhance our role in the national military strategy.

In the vital area of amphibious lift, the Congress has authorized the procurement of two *Wasp*-class LHD's – the key stone of our lift program – and eight *Whidbey Island*-class LSD's, critical to our lift of the LCAC. Three more *Wasp*-class LHD's and three of the LSD cargo variants have been programmed in the President's budget. Of these 16 ships authorized or programmed since 1980, only two of the *Whidbey Island*-class LSD's, *Whidbey Island* and *Germantown*, have joined the fleet. Although we are making progress toward meeting our lift objective, our rate of progress is slowing and it will now be the late 1990s before our lift requirements are met. *Further slippage in amphibious ship programs would seriously threaten this goal as older ships begin to retire at the turn of the century at a rate much faster than they can be replaced.* Accordingly, the Marine Corps strongly supports the Service Life extension Program (SLEP) of the *Austin*-class LPD's. This critical program will provide an additional 10 years of service life to this highly capable class of ships.



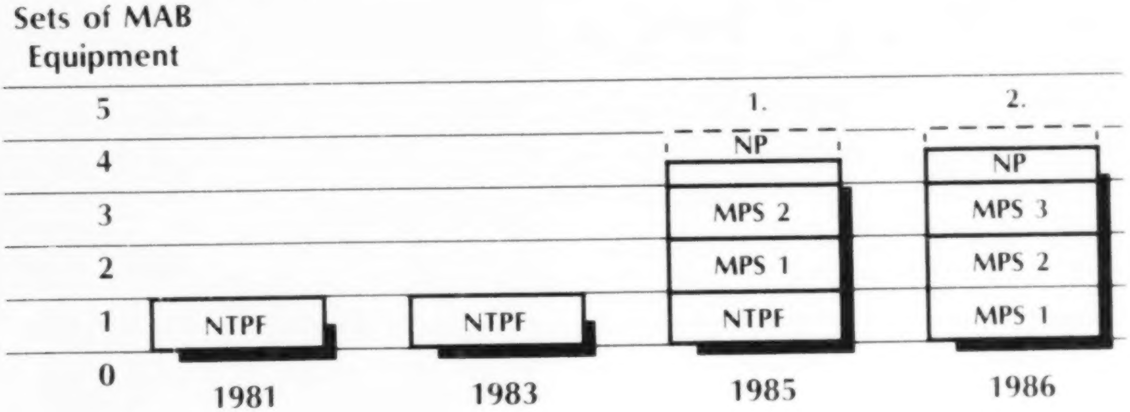
It is anticipated that large-scale amphibious operations in a high intensity combat environment will produce a significant number of casualties requiring immediate treatment and surgery. Therefore, the maximum medical capabilities of an Amphibious Task Force must be realized early in the engagement. Since various amphibious ships with medical facilities aboard may be required to leave the Amphibious Objective Area (AOA) as the Marine medical units are established ashore, there is an urgent requirement for a hospital ship program which provides a flexible dimension to combat casualty care. The two *San Clements* class tankers being converted to hospital ships with 1,000 beds and 12 operating rooms each will be deployed to support the global mission of our Corps. Initial operating capability is scheduled for FY 87.

An associated ship-building initiative is found in the Aviation Logistic Support Ship (TAVB) program. With either of two TAVB ships available, the aviation combat element (ACE) of any Amphibious Task Force will be provided more rapid intermediate-maintenance support upon arrival of the ships in the AOA. The TAVB provides this vital support for both helicopters and fixed-wing aircraft in the theater of operations. This seaborne-maintenance capability permits early introduction of landing force aviation which can expedite the early release of carrier battle groups to other sea control or force projection missions, if needed. These two ships will be delivered this year.

The Maritime pre-positiong Ships (MPS) Program

Pre-positioning Capability

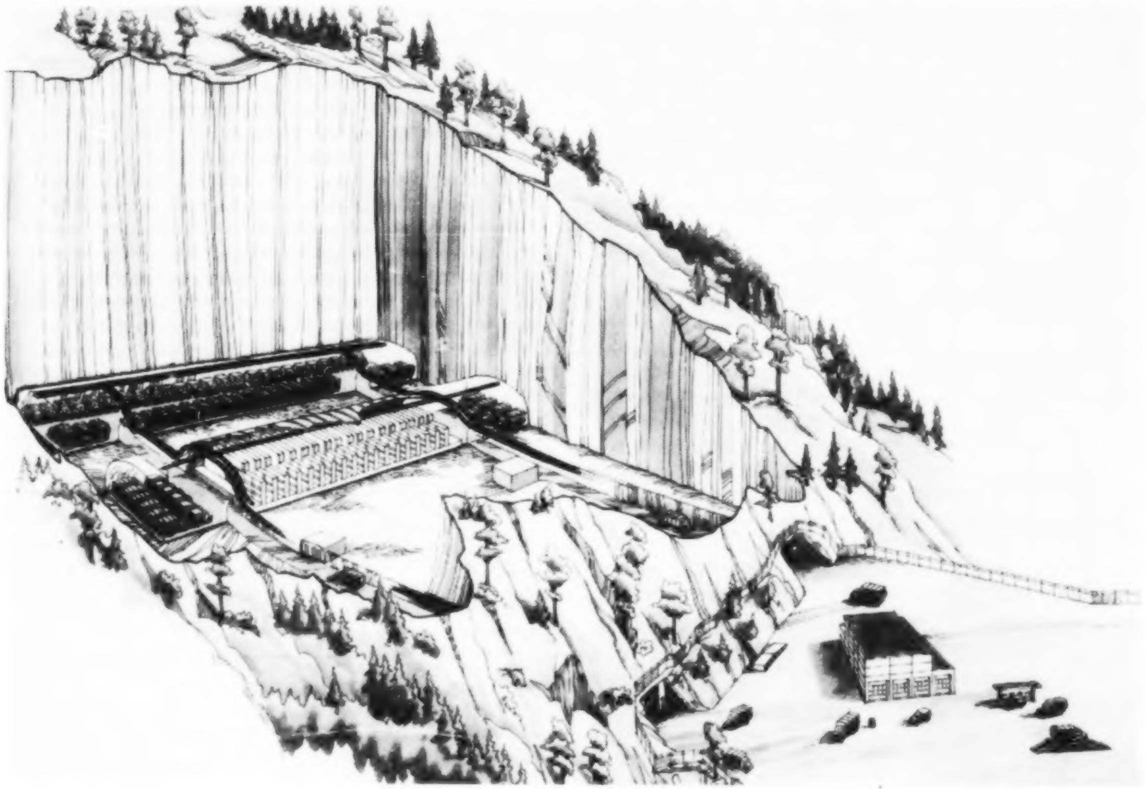
TABLE 15



NOTES:

1. NP = Norway Prepositioning which is approximately 45% funded with final IOC by 1989.
2. In December 1985, the Marine Corps portion of the NTPF was disestablished and during mid-1986 MPS-3 will be formed. MPS is an improvement over the previous NTPF.

mentioned earlier is a model success story, and I could not be more pleased (Table 15). The first MPS squadron, fully loaded with the combat equipment and 30 days of all classes of supply for a 16,500-man Marine Amphibious Brigade, deployed on July 30, 1984. Its area of operations is the Eastern Atlantic. The MPS concept was exercised during Bright Star-85 in Egypt last August, and I have heard nothing but the highest praise from the participants. The second MPS squadron deployed in phases, and replaced the Marine Corps portion of the Near-Term Pre-positiong Force in Diego Garcia during December 1985. The third MPS squadron will deploy to Guam and Tinian by the end of September 1986. In summary, MPS is on schedule and proving to be an extremely valuable strategic capability.



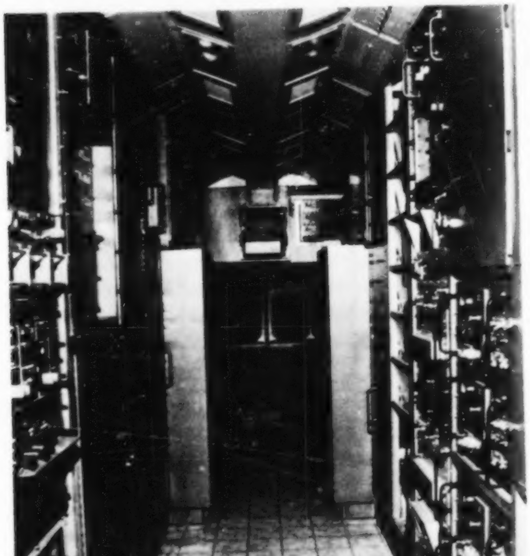
Another strategic mobility enhancement is our prepositioning of selected equipment and supplies in Norway. This program will reduce our response time to the critical northern flank of NATO from weeks to days. The Norway force, a MAB-sized Marine Air Ground Task Force, is a totally integrated air-ground team under a single commander with a sustainability package specifically tailored for cold-weather operations. It is a versatile, formidable force of approximately 13,000 Marines and sailors and over 150 aircraft. Because each MAB is task organized to accomplish the mission assigned, the Norway MAB has been tailored to the unique requirements of the Norway mission, and, consequently, is different from the previously mentioned MPS MAB. The Norway pre-positioning program has been designed to provide rapid deployment to an area vital to the United States and her NATO allies and offers a highly credible alternative in measured response and deterrence. The program itself sends a clear signal of U.S. commitment and resolve without being provocative, and does not require the posting of a single Marine on Norwegian soil.

The Norway pre-positioning program is proceeding on course and remains a top defense priority for the Norwegians who have stepped forward to provide an unprecedented level of support. Norway's contribution through host nation support has been significant, and has greatly reduced our total pre-positiong requirements.

In addition, Norway has initiated construction of permanent "in-rock" storage facilities for MAB equipment which will greatly enhance the security and maintainability of our equipment. Deliveries of MAB equipment to Norway continue on a yearly basis with procurements fully programmed through 1989. Finally, the first two exercises with this equipment have proven most successful and have set the course for increasing the scope of future exercises.

As mentioned earlier, Marines will be strategically deployed in a variety of ways. A rapid strategic deployment without corresponding mobility in employment is unacceptable on the modern battlefield. A discussion of our tactical employment efforts is thus appropriate.

As a backdrop, I will briefly outline how we will be organized and supported for those operations. We employ the Marine Air-Ground Task Force (MAGTF) in order to ensure maximum utility and flexibility. The size and composition of the MAGTF can vary and is dependent upon the mission assigned and the capability of the opposing force. Each MAGTF is drawn from the three Marine Divisions, the three Aircraft Wings, and the Force Service Support Groups. The MAGTF is comprised of four major elements: Command Element (CE), Ground Combat Element (GCE), Aviation Combat Element (ACE) and Combat Service Support Element (CSSE). There are three types of MAGTF's. The smallest one is the Marine Amphibious Unit (MAU), consisting of approximately 2,000 Marines and Navy personnel. The next type is the Marine Amphibious Brigade (MAB). The third and largest MAGTF is the Marine Amphibious Force (MAF), made up of about 50,000 Marines and sailors. In the past, our combat, combat support, and combat service support units were honed to a razor's edge while our MAGTF command and control elements were formed in most cases "ad hoc" when we organized for combat. Because it did not make sense to deploy well-trained units under leadership that was supported by an inexperienced staff, we made some tradeoffs to create permanent MAGTF headquarters. Two MAB headquarters were activated this year, bringing our total to six. Two new MAU headquarters were activated, for a total of four. When we complete this effort, we will have three MAF headquarters as well.



MAGTF commanders must have dependable, responsive command and control systems to govern operations. Systems now in production or in development will help them achieve swifter and more decisive results on the battlefield.

The Position Location Reporting System (PLRS) automatically provides accurate, real-time, relative location, identification of friendly forces and limited burst communications capability. PLRS is scheduled for a 1987 initial operating capability. The Marine Integrated Fire and Air Support System (MIFASS) will provide the commander with automated support for the integration of supporting arms with his ground combat element's scheme of maneuver. The man-transportable NAVSTAR Global Positioning System (GPS) is a space-based radio navigation system which will provide precise location and exact timing information anywhere in the world.

Our state-of-the-art Tactical Air Operations Module (TAOM) will give us improved capabilities in integrated air defense and air traffic control. It will provide a link with our sister services and allied air command and control agencies for the exchange of realtime tactical data.

We have also made significant strides in information systems management. Automated Data Processing (ADP) achievements include computerized systems for budgeting and accounting and for management of personnel, supply, and embarkation matters. Computer support in forward areas will be provided by the Deployable Force Automated service Center (DFASC).

Marine Corps Intelligence will be focused on a broad variety of actions which will ensure that MAGTF commanders receive the intelligence they require in a timely manner. In coordination with the Navy, we have developed the Naval Intelligence Improvement Plan for Power Projection which significantly enhances our knowledge of potential operating areas. The All-Source Imagery Processor (ASIP) now under full-scale development will provide near real-time digital imagery to the tactical commander, while the Tactical Remote Sensor System will be smaller and lighter. Concurrent with the final fielding of the Intelligence Analysis Center, we are equipping our MAGTF's with the test-bed elements of our Tactical Intelligence Management System, portable microcomputers which provide automated intelligence support to deployed units.

The Marine Corps Tactical Exploitation of National Capabilities (TENCAP) office continues to monitor development of advanced national systems. In an attempt to cut costs and reduce development and acquisition time, we are emphasizing use of other Service programs as well as off-the-shelf equipment. In this context we are evaluating the U.S. Army's Technical Control and Analysis Center (TCAC), which will provide an automated signal intelligence (SIGINT) analytical capability. We are also evaluating the Mobile Electronic Warfare Support System, which uses existing technology to provide MAGTF commanders with the capability to intercept, locate and degrade enemy communications.

These fully coordinated efforts will ensure that the Marine Corps has a viable, cost-effective means of providing intelligence support to all types of MAGTFs including the Special Operations Capable Marine Amphibious Units, discussed in detail later.

All of these assets, however, are of little use, if our Marines are not well trained in their use.

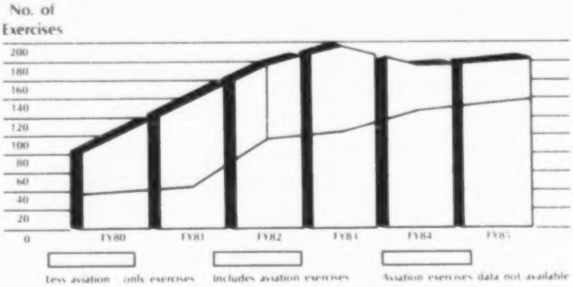
Training

The keystone of our training program is recruit training – the first step in a total system designed to prepare the individual Marine for combat. It begins when the recruit steps from the bus. Recruit training provides a series of demanding but attainable performance requirements which each recruit can identify and master. We require the highest standards from our drill instructors and accept no deviation from these standards. Recruit training remains our most valuable training asset, and one of my top training priorities.

Subsequent to recruit training, after these men and women have earned the title "Marine," they receive specialized skill training at Marine Corps and other military formal schools. Such schooling qualifies Marines in a particular military occupational speciality prior to assignment to our operating forces. Professional military education is then provided at appropriate times for officers and enlisted Marines in order to prepare them for the increased responsibilities of higher grades.

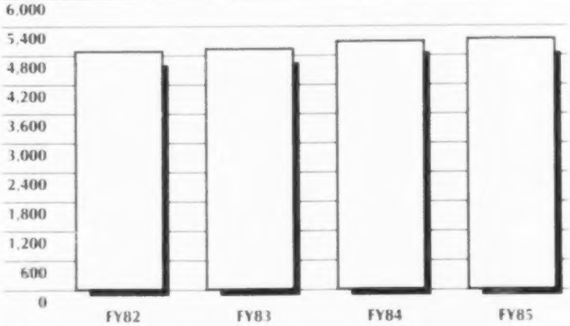
Career-level education at Amphibious Warfare School hones the warfighting skills of experienced company grade officers through academic endeavors, including extensive wargaming, cold-weather exercises at the Marine Corps Mountain Warfare Training Center, and a battle studies program in which students analyze selected historical battles. As an indication of the recent improvement in the curriculum at Amphibious Warfare School, practical applications in wargaming, terrain analysis, and nuclear, biological, and chemical exercises have increased from 70 to over 500 hours. Similarly, majors and lieutenant colonels at the Marine Corps Command and Staff College, travel to the Marine Corps Air-Ground Combat Center, Twentynine Palms, Calif. to fill key billets in a combined-arms exercise. They also participate in a joint, Middle East exercise with students at other military service schools via satellite-communication links.

Major Marine Corps Field Training Exercises **TABLE 16**
(Active and Reserve)



In addition, selected officers participate each year in a fellowship program and conduct self-study and research in areas involving national strategy. In the formal training of Marines, we teach them "how to think," in addition to imparting fundamental and advanced concepts and techniques. Those Marines unable to attend a school in residence have nonresident programs available through which they can improve their professional competence. I have stressed the importance of these self-help programs to all Marines.

Battalion Field Training Days **TABLE 17**



Our collective training program is mission-oriented, realistic, innovative, and is dependent upon the individual skills and leadership traits acquired during formal training. We do not fight as individuals; we fight as a team and train as one in exercises. The number of major exercises since 1980 in which the Marine Corps has participated has increased significantly as indicated in Table 16. These exercises provide the Marine Corps with the opportunity to train under a variety of threat scenarios, environmental conditions, and locales in order to simulate combat conditions. Commanders are thereby able to evaluate their contingency plans, staff coordination, and command and control mechanisms.

The number of battalion field training days has increased dramatically since FY 82 (Table 17). A "field training day" is a day spent in collective unit training, either in the field or in conjunction with amphibious operations.

Ten battalion-sized Combined Arms Exercises (CAX's) are conducted each year at Twentynine Palms, Calif.; eight for regular units and two for Reserve units. The CAX's are conducted in desert maneuver areas which permit the integration of live ordnance delivery with unit maneuver.

Two multipurpose range complexes, one at Camp Pendleton, Calif., and another at Marine Corps Air-Ground Combat Center, Twentynine Palms, Calif., are being developed. These ranges will incorporate a vast array of computer controlled targets for infantry, armor, antiarmor, and aviation units. When completed, these ranges will provide us with modern training facilities for teaching precision gunnery with a variety of direct-fire weapons. Ranges of similar function, but limited in score, are planned for Camp Lejeune, N.C.; Okinawa; and Hawaii.

The Marine Corps Mountain Warfare Training Center (MCMWTC), Bridgeport, Calif., provides an ideal location to train for potential deployment in Northern Europe and Western Pacific regions because of the mountainous terrain and cold weather environment. Approximately 12,000 Marines are trained each year at the MCMWTC. This includes 10 battalion-sized units, one or more of which are from our Marine Corps Reserve.

We also train regularly with our Allied counterparts around the world. Marines regularly participate in large scale joint or combined-training exercises such as Teamwork, Northern Wedding/Bold Guard, Bright Star, Universal Trek, Team Spirit, and Display Determination. These JCS- directed exercises provide an opportunity to refine joint tactics, techniques, and procedures.

During 1985, as mentioned earlier, we began exercising our maritime pre-positiong forces. This provides the first opportunity to deploy Marine amphibious and maritime pre-positiong forces, and employ them alongside U.S. Army paratroopers on a foreign shore. MPS forces will frequently be included in joint exercises in all theaters.

The Marine Aviation Weapons and Tactics Squadron One (MAWTS91) at Yuma, Ariz., provides standardized advanced training in all aspects of the employment of Marine aviation MAWTS1 conducts the semiannual Weapons and Tactics Instructor (WTI) courses which provide extensive training for 140 aircrews and aviation command and control officers, including reservists, each year. These officers return to their units and establish a cadre of expertise for unit training programs. In addition, MAWTS1 provides training for over 3,000 Marines in supplemental courses each year.

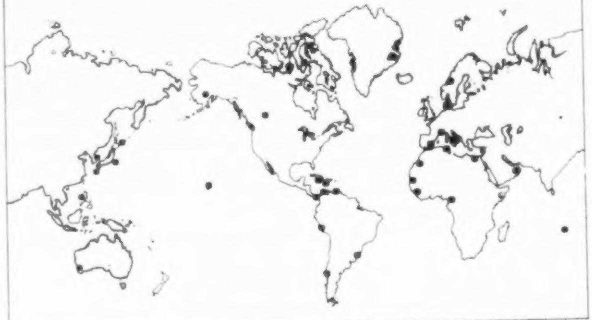
The goal of all Marine Corps training programs is the overall combat readiness of the Fleet Marine Forces. To this end, the Marine Corps Combat Readiness Evaluation System (MCCRES) provides force commanders with a diagnostic training evaluation system which measures unit capability to meet operational missions. The MCCRES data are analyzed at the various command levels and at Headquarters Marine Corps in order to identify Marine Corps-wide training trends. All of these superb training efforts contribute to our overall readiness to respond globally.

OPERATIONAL COMMITMENTS

The quality recognized in our weapons, equipment, organization, and external lift means, coupled with superb training prepares the Navy-Marine Corps team for the full spectrum of conflict.

Our Marine Air-Ground Task Forces are globally deployed to support national policy and are, therefore, able to rapidly respond to international crises when directed by the National Command Authorities. Global operational and exercise deployments for FY 85 are shown in Table 18.

Locations of Exercises-Operations Conducted by USMC Deployed Forces **TABLE 18**



Our MAF's are deployed worldwide. Elements of our Second Marine Amphibious Force (II MAF) deploy from the East Coast to the Mediterranean, the North and South Atlantic, the Caribbean, and the North Sea for participation in joint and combined exercises. In addition, an MAU is continuously on station in the Mediterranean as the landing force of the Navy's Sixth Fleet.

Based on Okinawa, III MAF deploys forces in South and Southwest Asia. Infantry battalions and aircraft squadrons rotate to Okinawa and Iwakuni, Japan, from the United States as part of the Unit Deployment Program which was discussed earler. An MAU deployed from California is on station most of the year in the Western Pacific/Indian Ocean and is also under the opertional control of III MAF.

From the West Coast, I MAF units train in preparation for commitments, including commitments to the U.S. Central Command. MAU's and MAB's have deployed and joined Maritime Pre-positiong Squadron Two (MPS-2) ships. The presence of forward-deployed amphibious forces, coupled with rapid deployment of additional forces through the MPS program, constitutes the most credible element of deterence. Adversaries have more to consider and allies have more assurance.

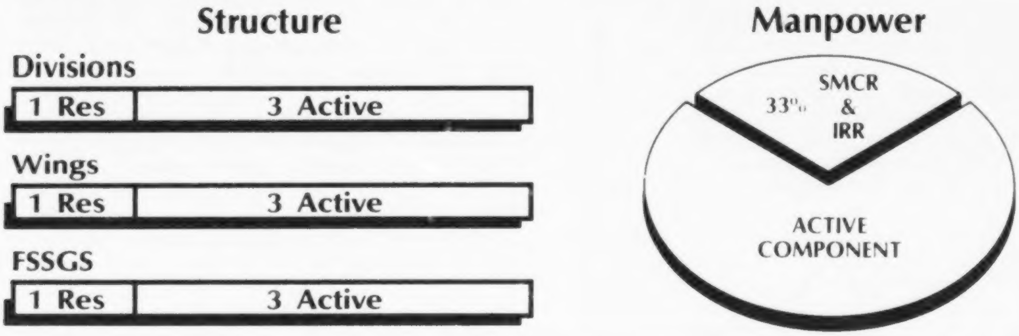
Additionally, Marine aviation squadrons are deployed with Navy forward-deployed carrier battle groups in order to enhance Navy-Marine Corps interoperability. An additional benefit is derived by providing each service the opportunity to function in the other's environment. This initiative is not new, but merely an extension of previous commitments. Marine EA-6's and RF-4's have historically been deployed aboard Navy carriers. Interoperability initiatives expand this earlier deployment to F/A-18 and A-6E squadrons deploying aboard the USS *Coral Sea*.

We are currently planning for two Marine F/A-18 squadrons to be deployed annually aboard carriers. In 1986, two A-6E squadrons will likewise be assigned to a carrier aircraft wing with one to follow in 1987 and one in 1988. The Navy compensates by deploying its A-7 attack squadrons in support of deployed Marine ground forces.

Interoperability is furthered through an exchange of training methodology, concept, tactics and doctrine. MAWTS-1, discussed earlier, and Strike University, the Navy's counterpart, have exchanged instructors. Together they have been tasked to coordinate close air support and amphibious warfare support tactics and techniques.

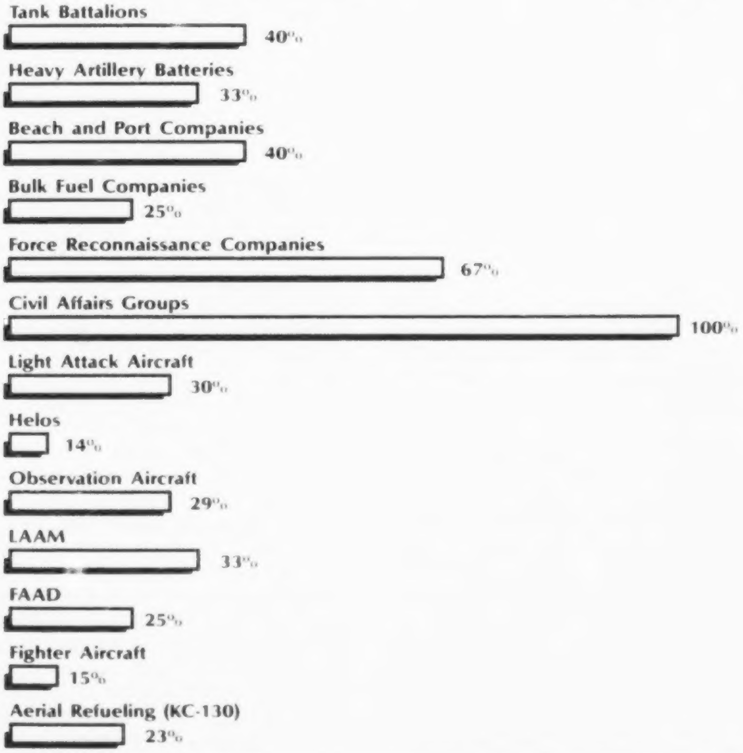
Reserve Program

TABLE 19



Reserve Total Force Contributions

TABLE 20



The underlying strength of our sustainability is our Reserve. Charged with providing the capability for rapid force expansion during wartime or national emergency, the Marine Corps Reserve is an integral part of the Marine Corps. Unit of the selected Marine Corps Reserve constitute a full 25 percent of the total peacetime combat power of the Marine Corps. Upon mobilization of the Individual Ready Reserve, this capability rapidly grows to 33 percent of the Marine Corps wartime manpower requirement.

In consonance with the Total Force Policy that I mentioned in the introduction, the Marine Corps Reserve's warfighting assets constitute a significant portion of our total warfighting capability.

The Marine Corps Reserve is prepared to fill roles

that both enhance and complement the mission of the active force. Trained units and individuals can be quickly assimilated into a total war effort. Through selective augmentation and reinforcement, the three active MAF's can reach full wartime strength. If selective augmentation or reinforcement is not ordered, the Reserve stands ready to provide a reinforced division, and aircraft wing and a force service support group or elements thereof.

The depth of experience found in the Marine Corps Reserve is its greatest resource. Prior-service experience added to skills developed in civilian life and applied to the task of training and leading Marines, consistently provide performance far above the norm.

Enhancing the Reserve's capability to satisfy individual mobilization requirements by the recognition of civilian skills, selective use of retraining and refresher training, and the cataloging of Mobilization Training Unit efforts are major Marine Corps concerns.

Operating in diverse geographical environments and in joint and combined command relationships, Marine reservists trained in 14 major exercises around the world during FY 84. In FY 85, 20,000 reservists participated in 18 major exercises, deploying to Korea, Thailand, Canada, Japan, and Scotland as well as throughout CONUS. An extensive FY 86 schedule involves approximately 20,000 reservists in 15 major exercises, including deployments to Hawaii, Puerto Rico, Panama, Turkey, Korea, Norway, and Denmark.

The Marine Corps Reserve has improved a great deal over the past decade. Increased readiness and warfighting capability reflect both programmed efforts and recognition of the Reserve's contribution to total force capability. Given the right incentives, equipment, and training, and with the continuing support of the Congress, this warfighting capability can be sustained and our citizen Marines will continue to have our country's confidence.

In light of our worldwide commitment and continuing efforts of the Department of Defense to improve the special operations capabilities of the services, the Marine Corps has recently completed an extensive examination of the employment of our Fleet Marine Forces in the conduct of maritime-oriented special operations. Our study has revalidated that MAGTF's are distinctly qualified to conduct a broad spectrum of special operations in a maritime environment— particularly when a requirement exists for the introduction of helicopterborne or surfaceborne forces from the sea. This includes a variety of missions: air, ground, and combined-arms, in the areas of both direct action and intelligence gathering.

Although a significant special operations capability currently exists within the Marine Air-Ground Task Forces, particularly in our forward-deployed MAU's, I have nevertheless directed an aggressive program to optimize a pilot program. This program focuses on the enhancement of the capability of forward-deployed MAU's to conduct appropriate special operations.

It is not our intent to establish new organizations which would duplicate special purpose organizations, and our goal is to work toward making special operations efforts complementary. Our initial objective is to ensure that our MAGTF's, routinely deployed as part of the Navy-Marine Corps team, are fully capable of conducting appropriate operations, either by themselves or, when mission requirements so dictate, in conjunction with special purpose organizations of the other services.

The program to optimize our special operations capability will examine the organization, training and equipment of our Marine Amphibious Units in anticipation of designating those which are qualified as Marine Amphibious Units (Special Operations Capable), or MAU (SOC).

Marine security guards serve with the State Department at embassies around the world. As a result of the upsurge in terrorist activity and the need to provide greater internal seurity for our embassies and consulates, the Department of State has requested an increase in the number of Marines assigned to this duty. The increase would permit establishment of detachments to meet changing security needs.

While the Chiefs of Missions must continue to rely on the host country for external security as provided by the Vienna Convention of 1962, internal security remains a vital concern and responsibility of the diplomatic corps. The Marine Corps fully supports this critical area of security.

Not only do Marines assigned to embassies encounter an increased probability of terrorist actions against them, but Marine Barracks and our forward-deployed MAGTF's confront this ominous threat as well. Let me update you on our program to combat terrorism. I would like to emphasize, at the outset, that the cornerstone of the Marine Corps program is my continuing belief that the best deterrent to terrorism is an alert, aware, combat-trained Marine. To that end, terrorism-counteraction training has been incorporated in selected Marine Corps formal schools. The classes range from two hours at Recruit Training to 25 hours for our officer-students at Command and Staff College. Our attendance at other service schools dealing with measures to combat terrorism has increased 177 percent from 1984 to 1985. For FY 86, we programmed 1,000 Marines to attend specialized skill schools where these measures are taught.

In addition, instruction on military security, to include interior guard, terrorism awareness, and terrorism counter-action will be incorporated into our Essential Subjects Program. This will ensure that every enlisted Marine, from private to gunnery sergeant, in every MOS, is trained and tested annually on the subject. Finally, the Marine Corps Institute has developed a correspondence course available to all Marines that devotes 75 percent of the material to victim avoidance and those measures designed to reduce the risk of attack. The remainder of the course provides hostage survival information and a Marine's responsibility under the Code of Conduct.

Since the tactics of terrorists continue to change, our program must be dynamic. We also must be alert to the ever-increasing threat posed by state-sponsored terrorism and coordination between terrorist groups. Accurate intelligence, as I mentioned earlier, is critical in combatting this increased terrorist capability. Today, our Marine Amphibious Forces are better prepared through an increase in their Staff Counterintelligence Sections.

We have also made significant strides in physical security for our light automatic -weapons storage facilities. There has been steady improvement in our flight line security posture with an additional allocation of 742 military police billets. Physical security enhancements have been added at all aviation installations.

Another important aspect of our program concerns unit training in terrorism which teaches counteraction doctrine and tactics. In addition to providing publications which focus on combatting terrorism at posts and stations, we are developing other manuals specifically designed for our forward-deployed units. The operational performance standards that I referred to in last year's posture statement are now in the hands of Marine commanders. These standards provide our operational units with a diagnostic training evaluation system to measure their capabilities. Significantly, for the first time, our posts and stations will use these same standards as a measuring stick by which to determine their preparedness.

Finally, commanders have developed programs at all unit levels to combat terrorism. We intend to prove to terrorists that attacks against Marines are not worth the price they will have to pay.

Appropriation/Authorization Request
($ in Millions)

TABLE 21

Appropriation Title	FY86	FY87	FY88
Military Personnel, Marine Corps	5,196.3	5,333.4	5,355.6
Reserve Personnel, Marine Corps	287.3	314.8	321.0
Operation and Maintenance, Marine Corps	1,666.5	1,864.1	1,887.6
Operation and Maintenance, Marine Corps Reserve	58.2	65.3	64.9
Procurement, Marine Corps	1,660.8	1,565.0	1,909.1
Marine Corps Stock Fund	37.7	45.9	66.2

CONCLUSION

In describing the "state" of our Corps, I have attempted to underscore the factors which make it ready for global commitment. Your Marine Corps is ready! It will will remain ready because of our investments in quality: quality people, an improved quality of life, the finest weapons and equipment, and superb integrated training.

We shall continue to groom leaders at all levels of command – leaders whose skills are sharpened by professional education; leaders who are taught "how" and not "what" to think. We owe this to those young, bright patriots who daily enter our ranks.

Thanks to your support, Marines' quality of life has improved. Concerted efforts are being made to upgrade facilities and housing, both for the single and married Marines. Emphasis on the family has increased the stability of the home environment, benefitting Marines, their families, and the Corps.

With continued congressional assistance, we will equip your Marines with modern, reliable, state-of-the-art weapons acquired in the most cost-effective manner; and support them with the finest aircraft, artillery, and naval surface fire support in the world.

A well-led, properly-equipped Marine is only limited by his or her training. Our innovative training programs and maximum use of realistic training environments ensure that your Marines are prepared for future conflict should the need arise.

My priorities as Commandant have been to perpetuate the quality standards established by my predecessors and to bring stability to the Corps. I want to create the most stable living and working environment that I can for your Marines in this unstable world.

Our budget reflects a program that provides the maximum defense for each dollar invested (Table 21). The Marine Corps requires only a small fraction of DOD's funds, yet provides a large share of America's tactical ground and air forces. Your support will ensure that your Marine Corps remains this country's premier force-in-readiness, "first to fight."

The most vital elements of the Corps today are the individual Marines on duty around the world. They are magnificent people and they deserve your continued support.

Because of the outstanding posture the Marine Corps is in today, we are prepared to deploy highly-trained and well-equipped Marine Air-Ground Task Forces that can be employed across the entire spectrum of warfare – from low intensity crisis situations to the support of naval campaigns in order to deter or resist Soviet aggression. When this nation needs a quality force to project amphibious power anywhere in the world, we are ready. ONE CALL GETS IT ALL!